EA-87-02

Ontario

ENVIRONMENTAL ASSESSMENT BOARD

VOLUME: 184

DATE: Monday, March 26th, 1990

BEFORE: A. KOVEN, Chairman

E. MARTEL, Member

FOR HEARING UPDATES CALL (TOLL-FREE): 1-800-387-8810

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EA-87-02

HEARING ON THE PROPOSAL BY THE MINISTRY OF NATURAL RESOURCES FOR A CLASS ENVIRONMENTAL ASSESSMENT FOR TIMBER MANAGEMENT ON CROWN LANDS IN ONTARIO

IN THE MATTER of the Environmental Assessment Act, R.S.O. 1980, c.140;

- and -

IN THE MATTER of the Class Environmental Assessment for Timber Management on Crown Lands in Ontario;

- and -

IN THE MATTER OF a Notice by the Honourable Jim Bradley, Minister of the Environment, requiring the Environmental Assessment Board to hold a hearing with respect to a Class Environmental Assessment (No. NR-AA-30) of an undertaking by the Ministry of Natural Resources for the activity of timber management on Crown Lands in Ontario.

Hearing held at the Offices of the Environmental Assessment Board, 2300 Yonge Street, Suite 1201, Toronto, Ontario, on Monday, March 26th, 1990, commencing at 10:00 a.m.

VOLUME 184

BEFORE:

MRS. ANNE KOVEN	Chairman
MR. ELIE MARTEL	Member

Farr & Associates Reporting, Inc.

A P P E A R A N C E S

MR. V. FREIDIN, Q.C.) MS. C. BLASTORAH) MS. K. MURPHY) MS. Y. HERSCHER)	MINISTRY OF NATURAL RESOURCES
MR. B. CAMPBELL) MS. J. SEABORN) MS. B. HARVIE)	MINISTRY OF ENVIRONMENT
MR. R. TUER, Q.C.) MR. R. COSMAN) MS. E. CRONK) MR. P.R. CASSIDY)	ONTARIO FOREST INDUSTRIES ASSOCIATION and ONTARIO LUMBER MANUFACTURERS' ASSOCIATION
MR. H. TURKSTRA	ENVIRONMENTAL ASSESSMENT BOARD
MR. E. HANNA) DR. T. QUINNEY)	ONTARIO FEDERATION OF ANGLERS & HUNTERS
MR. D. HUNTER) MS. N. KLEER)	NISHNAWBE-ASKI NATION and WINDIGO TRIBAL COUNCIL
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MR. R. EDWARDS) MR. B. McKERCHER)	NORTHERN ONTARIO TOURIST OUTFITTERS ASSOCIATION

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MR. J.W. ERICKSON, Q.C.) MR. B. BABCOCK)	RED LAKE-EAR FALLS JOINT MUNICIPAL COMMITTEE
MR. D. SCOTT) MR. J.S. TAYLOR)	NORTHWESTERN ONTARIO ASSOCIATED CHAMBERS OF COMMERCE
MR. J.W. HARBELL) MR. S.M. MAKUCH)	GREAT LAKES FOREST
MR. J. EBBS	ONTARIO PROFESSIONAL FORESTERS ASSOCIATION
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MR. P.D. McCUTCHEON	GEORGE NIXON
MR. C. BRUNETTA	NORTHWESTERN ONTARIO TOURISM ASSOCIATION

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I N D E X O F E X H I B I T S

---Upon commencing at 10:15 a.m.

MADAM CHAIR: Good morning. Please be seated.

Mr. Cosman, we are not going to take up much of your time because I know you are anxious to get on with Panel 2.

I am going to take about five minutes just running down a list of procedural matters that we are not going to discuss right now but we will make time to do it later.

The first matter, we are expecting a report on the negotiations on April the 3rd. If anybody wants to comment on that, if there has been some change that we don't know about, you can comment on that after five tonight. We are not going to be discussing any procedural issues during the course of the hearing day from now on, all that will take place at the end of the hearing day. That is what we have decided to do.

We did a rough analysis of the amount of hearing time that we have devoted so far to discussing these issues and our very rough analysis is about 20 per cent of this hearing has been taken up with discussion on various matters that we think shouldn't have pre-empted evidence, and so from now on that will

be at the end of the day.

And we are going to be scoping Panel 3 tomorrow evening Tuesday, March the 27th at five o'clock. We are going to be discussing the satellite hearings in northeastern Ontario the evening of April the 3rd in Thunder Bay, again at five or 5:30.

I think the parties know at this point that we are arranging our Toronto hearing location when we return in May and it will be at 151 Bloor St. West which is the facility of the Ontario Highway Transport Board.

The Board has retained Mr. Herman Turkstra to be our counsel. Mr. Turkstra will be here this afternoon. The finalized terms of reference for his employment will be sent out later today. We thank the parties who commented for doing so.

Oh, yes. Mr. Martel has made the suggestion - I think it's a good one - and, that is, we are going to have set times for breaks and lunches and we will try to sit these very regular hours.

Our normal hearing day will be from 8:30 until 5:00. We will be breaking from 10:10 in the morning until 10:30, we will have lunch from 12:00 to 1:30 each day and an afternoon break from 3:10 to 3:30. This should give us all an opportunity to make our

phone calls and do all the things we have to do during the course of the day.

Finally, is Mr. Hanna here today? Hello, Dr. Quinney.

DR. QUINNEY: Good morning, Madam Chair. Mr. Hanna is at a different hearing today.

MADAM CHAIR: All right. I will tell you then, Dr. Quinney, that in our ruling in February we left it for you to come back to us with respect to your cross-examination of Panel 17 and that had been a matter that we thought was left over in terms of that ruling, and I would like you to approach the Board some time this week to tell us what you propose to do about that.

DR. QUINNEY: Fine.

MADAM CHAIR: Thank you. And those are all the matters that we wanted to bring to your attention this morning.

And why don't we start with Panel 2, Mr. Cosman.

MR. COSMAN: Thank you, Madam Chair. Is this really happening, can I begin?

MADAM CHAIR: Yes.

MR. COSMAN: Madam Chair, I am calling as the next two witnesses, as you know from the witness

statements filed, Mr. Cam Watson and Mr. Michael Ross. I believe you have before you, and they have been filed with the Board some time ago, some considerable time ago now, the reports that these witnesses will be speaking to, but perhaps as the first order of the day once a Bible is obtained they ought to be sworn as witnesses.

MADAM CHAIR: Yes.

CAM N. WATSON,
MICHAEL ROSS, Sworn

MR. COSMAN: Perhaps then as the first order of business I can tender and we can formally file the reports as exhibits.

The first exhibit would be the report of C.N. Watson which is the thickest of the reports titled: Socio-Economic Input to the Class Environmental Assessment for Timber Management on Crown Lands in Ontario. And I am not sure what number we are up to.

MADAM CHAIR: I think it's 1045.

MR. COSMAN: Thank you.

---EXHIBIT NO. 1045: Report entitled: Socio-Economic Input to the Class Environmental Assessment for Timber Management on Crown Lands in Ontario by C.N. Watson.

MR. COSMAN: The second report would be the report of Peat, Marwick, the thicker of the two,

styled: An Economic Profile of the Ontario Forest Industry.

That would be 1046, Madam Chair.

MADAM CHAIR: Yes.

---EXHIBIT NO. 1046: Report entitled: An Economic Profile of the Ontario Forest Industry prepared by Peat Marwick.

MR. COSMAN: The next report would be also on Peat, Marwick, heading: The Economic Impact Framework Report dated September, 1989. 1047.

---EXHIBIT NO. 1047: Report entitled: The Economic Impact Framework Report dated September, 1989 prepared by Peat, Marwick.

MR. COSMAN: Madam Chair, I am going to be making reference briefly, in accordance with the Board's order and ruling, to the CV containing the relevant information that should be before you with respect to these two witnesses.

For your information, the Watson curriculum vitae is appended as Exhibit G which is the last document in the thick Watson report. Maybe if you turn to that and leave that open for a moment because I will be making some reference to it and ---

MR. FREIDIN: Mr. Cosman, where are you referring, please?

MR. COSMAN: The very last schedule to

that report, Exhibit G -- Schedule G at the very end.

MR. FREIDIN: Thank you.

MR. COSMAN: So I don't think that need be marked as a separate exhibit since it already forms part of an exhibit, but Mr. Ross' CV which was filed separately with the Board perhaps should be marked as the next exhibit, being Exhibit 1048.

---EXHIBIT NO. 1048: Curriculum Vitae of Michael Ross.

MR. COSMAN: Now, Madam Chair, I propose to qualify Mr. Watson and Mr. Ross as economists who will testify on the structure of the forest industry, its economic impacts at the community level, and the contribution of the forest industry in the area of the undertaking and to the Province of Ontario.

I will not be repeating evidence that you have already heard in the context of Panel 5, 6 and 17 on this issue.

DIRECT EXAMINATION BY MR. COSMAN:

Q. Now, Mr. Watson, I will speak to you first on this. If you can open your CV, sir, to Appendix G and there are 12 pages to that CV, G1 to G12.

Now, the CV shows that you have worked both in government and the private sector and for the last some 17 years you have been an economic

consultant?

MR. WATSON: A. That's right.

Q. And I note from G2, if I just turn that over to the second page of your CV under expert witness testimony, that you have been qualified as an expert in economics to testify before numerous tribunals including in fact an appearance before the Joint Hearings Board on an environmental assessment matter?

A. Yes, I have given testimony for the Municipal Board and the Environmental Assessment Board since 1978.

Q. Thank you. And just in that regard, if I ask you to jump to the last page, G12, you actually specify for the Board a number of the matters in which you have been qualified as an expert witness and have testified including in fact, I note from about two thirds of the way down the page, there are two appeals with G.R. Patterson for CELA.

Now, those were matters in which you were representing or speaking as an expert witness on behalf of CELA; is that correct?

A. Yes.

Q. And in each case you list who it was as counsel who retained you and the nature of the

matters that you spoke to?

A. That's right.

Q. Now, I intend to briefly review four areas of your experience: your experience in doing economic impact studies, your experience in northern Ontario, tourism-related experience and Indian-related economic studies that you have done.

And first of all with respect to economic impact studies, I understand that you work for some 75 municipalities and provide economic advice?

A. Yes. At any given time we have several dozen municipal clients where we are looking at the financial and economic implications of growth and development.

Q. What percentage, sir, of your work in approximate terms is for public sector clients?

A. I would say about 80 odd per cent of our work would be for municipalities or for the province or Federal Department of Indian affairs and those sorts of agencies.

Q. All right. And if I can turn to G3, if I may, of your CV, I understand you had some considerable experience in northern Ontario, and I am going to just outline - which isn't on your CV in this fashion - some of that experience so the Board will

have the benefit of knowing what you have done in the north.

I understand that you have done an economic base, a municipal finance study with regard to the City of Timmins official plan?

A. Yes, that was early on in my consulting career, that goes back to 1973. It was part of the official plan for the city.

Q. You did a Highway 144 bypass study of economic impacts in the Sudbury area for MTC?

A. That's right, that was some years later.

Q. You have done an assessment of the economic implications of proposed mine annexation and in that case you were doing some work for the Township of Ignace?

A. That's right.

Q. You have done numerous financial impact and growth management studies for the Town of Elliott Lake?

A. Yes, I spent a considerable amount of time over a period of two years working for the town relative to the town site to have Rio Algom and Denison assisting the town in arranging the necessary financing, the shares to be assumed by the mining

companies, by the province and so on.

Q. You have done municipal financial impact studies of the Hemlo gold mining development and you have done this for the Municipal Affairs Department; did you?

A. Yes, that was 1984.

Q. And what particular communities were you concerned with in doing that study for Municipal Affairs?

A. We were asked to look at six communities including Schreiber, Manitouwadge, Wawa, White River among them.

Q. All right. You have done a long-range building master plan for the National Forestry Research Institute in Petawawa?

A. Yes.

Q. And I understand you also did a municipal finance and economic implications study of a proposed nuclear generating station at Deep River?

A. Yes, that was just in the last few months.

Q. Now, with respect to tourism - okay, that just gives you a view of the experience you have had in the north. And, by the way, you also did some studies in the Northwest Territories; have you not?

A. Yes. I guess about three or four years ago we spent the better part of a year working for the Government of the Northwest Territories examining their system of property taxation and assessment system in terms of a fairly comprehensive review thereof in order to make recommendations as to how it could be improved.

Q. In the tourism area, which was the next area I wanted to look at, and in terms of an overview, you have investigated the financial and market feasibility of waterfront development opportunities for the Ministry of Northern Affairs?

A. Yes, that was in the early 1980s relative to the Marina Development Program and finding means of furthering that in the north.

Q. You have done municipal financial and economic implications studies of major condominium expansion at Deerhurst?

A. Yes.

Q. And was that for the private developer in that case?

A. That was, and we did similar work at Lagoon City once again for the developer.

Q. You have done a market feasibility study for recreational development in the Wiarton area?

A. Yes, and that once again was for the proponent.

Q. And you have also done an analysis of the impact of a major proposed generating station on the tourism industry and economic base of Niagara Falls?

A. Yes, I'm in the midst of that right now.

Q. Okay. Now, in terms of your experience with native peoples, you have conducted a number of studies for the Federal Department of Indian Affairs over the past seven years and what have these been in relation to?

A. Well, about five years ago we looked at a proposal for an Indian equity development corporation in western Canada and reviewed the feasibility of that.

And then I guess three years ago we commenced work with the economic development people in Indian Affairs relative to the question of band taxation of Indian lands, of the use of Indian lands basically by non-Indians, and we have done a number of studies for the department in that respect.

And of course now they have an Indian Taxation Advisory Board and are pursuing with

interested bands that question and we are working with them -- along with them on an ongoing basis in terms of their dealings with major utilities such as Hydro and Bell and in dealing -- for example, the first Board -- pardon me, the first band in Ontario that proposed to take advantage of this measure was the Whitefish Band in Sudbury area and we visited the band and looked at their proposal and commented on it.

Q. All right. Now, in addition to that you have had environmental impact study experience - and I won't go into that in detail - but, again, that is set out in your CV, but that has included testifying before this Board separately constituted in another matter?

A. Yes. Over the last five or six years we have spent a considerable amount of time on matters such as the Halton Landfill et cetera, et cetera, yes.

Q. All right. And without going through it, if one were to look from G3 onward there is a detailed list of what you have actually done.

So just for example, if you look at G3 and you look halfway down on the page under client, you have got Ministry of Municipal Affairs and then you have the various municipalities. That is the Hemlo study that you have done.

And similarly if you flip over to G4 you have got Yellowknife, Government of the Northwest Territories is about the fourth one down. So in each case you have specified the nature of the assignments that you have done and when those assignments were completed?

A. That's right.

Q. And that carries through right to the end of your CV. Now, Mr. Ross...

MR. COSMAN: And, Madam Chair, in this case - I don't know, I hope you have before you the CV that was filed of Mr. Ross, the one we have just marked as Exhibit 1048. It is not in the book.

MADAM CHAIR: I don't have my copy, Mr. Cosman.

MR. COSMAN: I am sorry. Is Ms. Devaul close at hand because it would have been filed together with the reports. I am just wondering if we could -- I have one extra one here, if I can hand it up and then we will get it at the break. (handed)

MADAM CHAIR: Thank you.

MR. COSMAN: Thank you.

Q. All right. Mr. Ross, you obtained your Masters -- your MA in economics from the University of Toronto in 1971?

MR. ROSS: A. I did.

Q. And you set out various affiliations you have with various economic associations. You also set out your experience. And reading it, you have worked since 1971 as an economic consultant providing advice to business, government and from time to time providing expert evidence in relation to matters such as these?

A. Yes, since 1975 I have been a consultant. I worked as an economist with a private firm for a few years before that.

Q. All right. In the second paragraph under work experience it sets out what your present responsibilities are and what your present employment is. Could you describe that for us?

A. I am a partner in the firm of Peat, Marwick, Stevenson and Kellogg and I am responsible for a planning and economics group of 13 people. Basically we do quantitative studies of economic and financial issues typically for either large government or large business clients.

Q. In the next paragraph - I just want to underline just a couple of points - it indicates that you have experience in certain areas which are bulleted, but the first refers to the conduct of

technical economic studies including economic impact cost/benefit and social cost analysis. Is that the kind of study that you have done for this Board as part of this exercise that we have here in forest management?

A. Certainly large components of what we have done fall within this category.

Q. All right. And you have some experience; do you not, sir, in the forest with respect to forest industry. Can you tell us what that is?

A. Well, I have done several engagements in the industry. One was a quite large and detailed evaluation of a federal/provincial facilities modernization subagreement which was a large grant program for the Ontario pulp and paper industry.

I have worked on a couple of large assignments in the U.S. south looking at forest management policies for a U.S. based pulp and paper company.

I did a good deal of work with respect to the first counterveil duty case in the softwood lumber situation in the early 1980s. Then I have done some tax-related financial analysis for the Department of Regional Economic Expansion focusing on the forest products industry.

Q. And if you were to take your report - and we won't go through the individual items under your experience - but, for example, on page 2 at the bottom of the page there is a reference to an economic impact study for a private client. What was that?

A. There was -- we were working with a client who was trying to develop a coal mine and associated power plant associated with the lignite deposits just south of James Bay. We did a detailed economic impact study and then later were retained by that client and by Ontario Hydro to upgrade the study and to turn it into a benefit/cost analysis as well.

Q. Page 3 - and I just want to highlight some of the experience which perhaps might be of assistance to the Board in weighing what you have to say later on - under Potash Corporation Saskatchewan, what was that?

A. That was a large scale economic study of the operations and planned capital expansion of Potash Corporation of Saskatchewan which was a big mining company in Saskatchewan, a Crown corporation at the time. They had major capital expansion plans and our job was really to try and translate that into an assessment of economic impact.

Q. Is the next item, the Department of

Regional Economic Expansion, the study that you have referred to earlier in detail as an overview?

A. Yes, the bottom item on that page, on page 3.

Q. On page 4, in terms of industrial development strategy, about the third item down, you have done some work for the Province of Prince Edward Island?

A. Yes. Industrial development strategy work trying to help the province assess what its opportunities were in the manufacturing sector and to develop strategies to implement them or to take advantage of the opportunities.

Q. And on the next page you have as the last item a pulp and paper producer report. What was that?

A. That is one of the examples I referred to earlier, work in the U.S. south really looking at the optimization of forest -- of managed forests by this client who had hundreds of thousands of acres under management.

Q. Did you consider the competitiveness of various economic regions in North America in the context of this report?

A. Yes.

Q. With respect to your understanding of economics of forest product companies, on page 6, the third item, can you tell us what that was?

A. The specialist group in Peat, Marwick which does business valuations was retained by the Quebec Government to value its investments in a couple of forest products companies and I was brought into that engagement to provide the perspective on the industry and to help the technical valuations people get some comfort that they understood and could have confidence in data they were receiving from the companies.

Q. On page 7, the third item, you have the DREE and Ministry of Tourism and Economics. What was that particular assignment?

A. That is another one that I referred to briefly earlier. It was a major evaluation of the impact of the federal/provincial grant program that was put in place early in this decade -- sorry, in the last decade, to see what the impact had been, what had actually been achieved by the funds that had been put forward by the federal/provincial governments.

Q. And the last item on page 7 and the three items on page 8 refer to more directly certain environmental issues in respect of the natural

environment. Could you tell us what those were, just in brief?

A. Well, we have done a good deal of work in the field of environmental economics and particularly in a benefit/cost analysis framework trying to bring what is really an emerging field of benefit valuation in the environmental field to bear on some of the issues that are dealt with in these studies.

The first one is part of the remedial action program which is going on at -- is getting started I guess at the present time with the federal and provincial governments, we were looking at how to value the benefits of cleaning up Hamilton Harbor.

The two Ontario Hydro engagements on page 8 are really looking at the social costs of air pollution as part of their NEB submissions for export permits, and I have offered expert testimony before the NEB a couple of times on this subject. And we have just completed a new study, so presumably I will be doing so again in another year or so.

MR. COSMAN: I would tender these witnesses, Madam Chair, as economic consultants and as economists who may be able to hopefully assist the Board in the task it has.

Q. Now, I would turn to Mr. Watson whose evidence I am to deal with first. Just before I do, as a matter of housekeeping, Mr. Watson, you have prepared an errata sheet with respect to your report.

MR. COSMAN: I wonder if I might file that, Madam Chair, and circulate copies of that. (handed)

MADAM CHAIR: Exhibit 1049.

---EXHIBIT NO. 1049: Errata sheet re Report of C.N. Watson.

MR. COSMAN: Q. Mr. Watson, I wonder if I can ask you to put your report before you and assist the Board as to what the terms of reference were of your study?

MR. WATSON: A. I guess the first aspect of our terms of reference, Madam Chair, arose from the evidence of Panel 5, in particular the component of the report done by Ms. Allison Coke, Ontario Forest Products Industries' Statistical Analysis.

In reviewing that report a number of areas stood out as being important and possibly requiring supplementary work to be done. For example, on page 136 of that report there was a discussion in a couple of pages of the major components of the forest industry, the communities in which those employees

worked based upon an analysis from Scott's Directory and the relationship between those forestry employees and the population of these various areas, and I wanted to ensure that that work had been done as thoroughly as possible. As Ms. Coke pointed out, there is a sparseness of data and I wanted to take that on as clearly an important area.

The whole thrust, I guess, of our assignment was, rather than looking at the industry on a provincial or a national or even a regional basis, our assignment was to look at it on a community basis; to look at the small resource-based communities in the north and how the industry figured into their economies and how it did or did not figure into all the other communities' economies in the north as well. So that really was the first aspect of the terms of reference.

I think another aspect that perhaps arose from the Coke report was the matter of input/output analysis and the multiplier effect, and the Board received testimony relative to various research papers and studies that had been done on the multiplier effect and I wanted to examine it in a more -- in a smaller scale municipal setting in order to see at that level how it worked and how it functioned.

So those really are the main aspects of

my terms of reference.

MR. COSMAN: Madam Chair, just at this point - and I might have done it a little earlier - I just want to basically give you a two-minute opening overview of what Panel 2 is going to be all about.

You are aware from Panel 1 and from other evidence of two things, that the forest industry is a highly competitive industry nationally and internationally; and, secondly, we know that Ontario is a jurisdiction that is a comparatively high cost jurisdiction for the forest industry.

So we will be calling evidence through Mr. Watson and Ross and through their reports as to a number of things, to supplement the evidence to date to the extent that they considered it to be necessary having independently reviewed that evidence on such matters as the structure of the industry or the economic contribution of the industry and socio-economic impacts.

But one thing that is key that I want to say as you review this and hear this evidence, we are not saying that because something costs that you should not protect the environment; that is not the thrust of this evidence and it's not the view of Industry.

The Industry position is that the

environment can be protected and is protected under an existing regime and perhaps that regime can even be improved through some of the measures that are before you, but it is very important and it is important to keep in mind that where parties suggest that there are certain measures that should be adopted, we want the Board to know, firstly, that there is a cost to them. These are not just helpful or nice things to do, each of those measures that are suggested, each measure that creates a reserve has a cost.

The key point that we wish to make is that unless it is established that those measures are necessary to protect the environment, the Board should not be either seduced or pushed into adopting measures that will add to the costs of Ontario's industry, reducing Ontario's industries' ability to compete and, therefore, having the impacts socio-economically which are described in Mr. Watson's report because the inevitable conclusion of too many costs or too high costs is mill slow down, cut-back or closure.

We are not addressing here nor do we intend through our evidence with Messrs. Watson and Ross, who are not foresters or experts on forestry, we are not here to suggest that any specific measure that is being put before you is going to have that effect.

That will be the matter of argument, it will be the matter of further evidence in this hearing, but it is the importance of knowing that in a high-cost environment when you add costs, especially when you add costs unnecessarily, you are going to have -- it is going to have an effect and that's going to be the thrust of this evidence.

Q. If I may take you back then, Mr. Watson, to your report. I understand that you've prepared a number of display boards to illustrate your evidence and most of those display boards are actually blow-ups of pages and charts and in your report as such, but I have -- and Mr. Watson is going to be putting those up, Madam Chair, but I have extra copies of the list of display board charts which I would like to file as an exhibit rather than hunt our way through the report to find the various pages. (handed)

MADAM CHAIR: Thank you. Exhibit 1050.

Mr. Cosman, could we have three copies, another copy, please?

MR. COSMAN: Yes, sure. (handed)

MADAM CHAIR: Thank you.

---EXHIBIT NO. 1050: List of display board charts re Mr. Watson's presentation.

MR. COSMAN: Q. Now, I wish to refer

you to figure 2.1, found at 2.2, which is the first page in your display board list. And that's really just a page right out of your report, is it not, sir?

MR. WATSON: A. That's right.

Q. And in that regard I wonder if you might just put that up as well.

For purposes of your study and your report, what, Mr. Watson, have you included in your definition of the forest industry and how does this compare with what Allison Coke and the economists that came before you included?

A. The definitions are similar, if not identical. The definition that we have used are the functions contained within the solid line. Starting at the centre of course with logging and then moving to forestry services, I believe Ms. Coke indicated that it was clearly part of the industry but data was not available on it and, therefore, that information was not incorporated in her report.

Q. Just stopping there. And did you obtain data and include it in your report?

A. Yes.

Q. Thank you. Carry on.

A. And then the roundwood, of course, is provided to the sawmilling part of the industry and to

the pulp and paper part of the industry, so that's the third perimeter.

And then the outputs of those mills are provided to other aspects of the wood industry, veneer and plywood, slash and door, wooden box, coffins and caskets and so on and to other aspects of the paper and allied industry, paper box and bag, ashphalt, roofing, so on and so forth.

So that those four components to my mind are clearly part of the forest industry as relevant to this Board, to this hearing relating to the provision of a continuous and reliable supply of timber.

I have shown that one could continue to move further out and look at industries for whom wood based inputs are a component and in some cases an important component in terms of building and development, general contracting and wooden household furniture, wholesale lumber, plywood, mill work, printing and publishing. Those industries are very sizeable and they're certainly not insensitive or immune to the cost of wood, but they are of course further removed from the forest and not as directly a part of the industry.

So our report focuses, as I say, upon the four aspects shown and does not incorporate figures

further out.

Q. And in a sense then, sir, would you describe your own conclusions and data in that regard as conservative for not including that information?

A. Yes. We have not included all employees of all industries that are concerned with the supply of wood. So in that sense they are conservative, yes.

Q. As to the area of the undertaking, how does your study differ from that of Ms. Coke in respect to the communities that you considered?

A. Well, I have several boards on that.

Q. This is found as the second map, 3.1, which is in the list of documents, display board documents.

A. Yes. And this, of course, is simply map 3.1 taken directly from the environmental assessment submitted by the Ministry.

Ms. Coke in using the sectoral data that was available referenced the area of the undertaking by looking at northern Ontario as it's normally defined; namely, the districts and the regional municipality of Sudbury.

I have endeavored to look to the part of the area of the undertaking, however, that is south of

that area and that incorporates portions of a number of counties in central and eastern Ontario, and also to give consideration to the fact that a very substantial part of the province is north of and beyond the area of the undertaking, obviously not a heavily populated area but an area of some relevance, I think, to the hearing.

The area defined, we have taken -- this board unfortunately is not in the hand-out, however, I believe it is an exhibit prepared by the Ministry of Natural Resources. This is showing the area of the undertaking in June 1987 and it delimits a northern boundary and a southern boundary and that boundary corresponds with that which is shown on the previous slide on 3-2.

And what we have done then is simply to take that boundary and apply it to a different set of maps indicating muncipal locations more precisely so that we are able to identify the communities that are outside of the area of the undertaking to the north and we are able to identify this particular area to the south which we refer to as the near north. We've called this the far north, the north and the near north and the area of the undertaking, of course, consists of the north and the near north. And the near north which I guess in a sense is an area that was not specifically

examined, as I understand it, in the Panel 5 report, is shown here as --

Q. That's the next document that you have just -- that's in the list of documents, Map 3.3?

A. Yes. And it's outlined with a solid black line and it includes all of the districts of Muskoka and all of Lanark County and Renfrew County and the northerly portions of several other counties, Frontenac and Leeds and Grenville and so on.

Q. So did you in fact identify then the various communities and examine the various communities that are located within the area of the undertaking as defined in the class environmental assessment document?

A. Yes. What we did, Madam Chair, was to look at data specific to the individual municipalities so that we were able to identify those municipalities that were in the area of the undertaking and exclude those that were not in. And our summary of information, which we will come to shortly, then deals specifically with those municipalities that are either in the north or the near north as I've just defined them.

Q. So what then did you do to determine the significance of the forest industry to communities located in the area of the undertaking?

A. If I may, just to -- very quickly, if I may, just to set a base for answering that question, I will give a few facts on the four areas that we have now.

Q. And that's the next document?

A. Yes, I'm sorry, that's the next document.

Q. Okay.

A. We have the far north, north of the area of the undertaking which, of course, is the north part of the district of Kenora which is largely -- the settlements are largely Indian reserves, the population is approximately 20,000 persons. We have the northern portion of the district of Kenora, approximately 8,000 population and a number of -- 600 plus forestry jobs in that particular area as a matter of interest.

We have the north as it's normally defined, it's the balance of the districts and the regional municipality of Sudbury and we have there some 730,000 people in 1985 and virtually half of that population is located in the five cities, in Thunder Bay and Sudbury, Timmins and Sault.

So we have there some 278 communities including 76 Indian reserves and we looked at all of those communities individually.

In the near north that we have just been discussing, I mentioned all of Muskoka, Haliburton, Renfrew and Lanark, portions of Victoria, Peterborough, Hastings, Lennox and Addington and Frontenac, the population of 233,000. Most of that population is in Renfrew, Lanark and Muskoka and we have 112 communities. Most of them are small communities between 300 and 3,000 person.

And then of course the balance of the province to the south had a 1986 population of just over 8 million and, of course, involved the regional municipalities in 19 counties and the balance of the counties in the near north.

The first thing that we did was to -- in order to obtain the data that really was not available, it's not published data, we obtained a special tabulation from the 1986 Census of Canada as being the most reliable and the most up-to-date information available on a comprehensive basis, socio-economic information. And the tabulation that we asked for was the resident's location of forestry labour force consistent with the definition of forestry that we discussed earlier with the rings, the resident's location of employed forestry labour force within the area of the undertaking.

Now, we had to ask for the resident's location in that the location of the employment was not tabulated, it was not acquired as part of the '86 census. That information is only acquired in '81 and 1991, so that the best information available is the resident's location. And we acquired the information by the categories -- generally by the categories mentioned earlier: logging, forest industry, wood industry, paper and allied and we have a summary here and this summary relates to Appendix A of the report.

Appendix A provides the information in detail by each individual municipality or community, but this is a summary by district and by county and what it indicates is that just under 30,000 forest industry employees were located in northern Ontario, that portion of northern Ontario within the area of the undertaking in 1986, June of 1986, and most of those were in the paper and allied category, just under 14,000; however, there were over 7,000 in the wood industry, over 3,000 in the forest industry and about 5,500 in the logging industry.

Now, that number of employees, the 30,000, constituted just under 9 per cent of the total employment within that portion of northern Ontario, and we will come later to that number. I mean, that's a

number when you first look at it, 9 per cent is of course of significance, but when you look at it on an overall composite scale that's one thing, but when you start to look at it in terms of how it relates to the 278 communities you start to get, I think, some different impressions about the importance of it; that is to say, it's much more important.

In the near north, we have the portions of counties and the four -- well, there are three entire counties and a district municipality, much smaller amount of forestry employment, a total of 3,655. Nevertheless, a considerable amount of employment, not something to ignore and it really amounts to 3.6 per cent of the total employment in the near north. So overall we have virtually 33,500 forest industry employees living within the area of the undertaking.

Q. And this is what we have called direct employment; is it not?

A. Yes.

Q. All right.

A. If I may, Madam Chair, there was one slide that I skipped over.

Q. That's figure 3.1?

A. Yes.

Q. Tourist accommodation and sports camp facilities, 1982?

A. Yes. And this figure simply provides a little information in terms of the far north. We have simply -- we have extracted this from one of the Fahlgren Commission reports and we have simply whited out that portion of the area of that particular study that is within the area of the undertaking in this instance.

This plan shows a variety of tourist accommodation and sport camp facilities that lie in the north but outside of the area of the undertaking and simply makes the point that there is a considerable amount of activity, both tourist activity, mining activity, forestry activity in this vast area.

So that when we're looking at statistics relative to northern Ontario, in terms of the amount of activity, there is an amount that really should be netted out of those totals if we were to confine our attention to the area of the undertaking. It's very difficult to do because of the problems with data, but nevertheless it's something to keep in mind.

Now, this figure of course won't be legible to anyone.

Q. Not even with my glasses.

A. I can barely read it from here. But it's contained in the fold-out to the report, Appendix C, and it has been duplicated here. The version that you have in the hand-out, of course, is simply one piece of it. The entirety of it is in Appendix C.

And this indicates some of the work that we did in Chapter 3 of the report in order to establish the nature of the communities in the north and to look at them in different categories. And the categories that we selected -- we have at the top Category 1 and these are municipalities -- I guess they're virtually all municipalities but we have some unorganized areas, we have Indian reserves. I will refer to them as communities.

We have communities wherein the local economy is based almost entirely on forestry and in those instances, 40 per cent or more of the labour force resident in these areas is forestry labour force. So that clearly if you have even 40 per cent and then you provide for the local services, the schooling, the muncipal government, the retail and business services and the other services that accompany virtually any settlement, you have the vast majority of the employment related directly or indirectly to forestry and there are some nine communities that fit into that

category including Terrace Bay, Red Rock, Long Lac, Smooth Rock Falls and several others.

There is one Indian reserve, Aroland 83, that's in that category and of that amount there's two towns and several townships included in that district.

We had Category 2 then where the forest industry is a major part of the local economy and we selected 15 to 40 per cent, 15 to 39.9 per cent of the resident labour force being in forestry as being an indicator of that fact.

Most of the studies from the literature search that we did, most of the studies tend to designate a community as a single industry community where 20 to 30 per cent of the labour force within that community is based upon one particular industry. So that we are within that category.

There are a significant number of municipalities that fall into that Category 2 and some 18 per cent of the population of the north. I'm talking here about the portion of the area of the undertaking which is -- that I'm calling the north. I have a separate presentation for the near north. So I am dealing with the area of the undertaking in two components.

So we have 18 per cent of the population

of the north in this category. We have just under 2 per cent of the population of the north, these are small communities, in Category 1.

Category 3 is a situation where the forestry industry is one of several components of the local economy and where it's share of the labour force ranges from 2 per cent to 14.9 per cent.

So that in total, considering categories 1, 2 and 3, my conclusion on (iii) of my report is that almost two-thirds of the population of northern Ontario lives in a community where the forestry industry is a factor of some significance in the local economy.

Q. How much? What percentage?

A. Just under two-thirds.

MS. SWENARCHUK: Excuse me, I didn't hear the last part of your answer. Lives in a community...

MR. WATSON: Where the forestry industry is of some significance in the local economy. So that we have moved now from the forest industry employment representing 8.9 per cent of the total to a situation where we have two-thirds of the population served in some fashion of significance by the industry.

And the percentages, I have noted 2 per cent to 14.9 per cent, but as we move down this category we are at 11, 10, 8, 7, 6, 5. So most of the

Category 3 communities have at least 10 per cent of the labour force and then when we, of course, factor that up for indirect employment it's fairly significant.

The balance then is Category 4 and that's where the forest industry is not part of the local economy or is only a very small part; that is to say, less than 2 per cent and the less than 2 per cent is really only the first half a dozen.

Beyond that, we have from the census data no tabulation of forestry employment in these communities and they represent 53 per cent of the communities, but only 35 per cent of the population and the reason for that is that 54 of these 140 communities are Indian reserves and they are, of course, in the main small and data on them is not as prevelant as it is on the other communities.

What we have done -- that's the four categories that we looked at and what we did then was to compare the circumstances in the Category 4 communities, which we refer to as non-forestry communities, with categories 1, 2 and 3 which we refer to as forestry communities. And the data that we have, the basic socio-economic information that is available from the census and ranges from information such as change in population between 1981 and '86 and the

nature of the housing units, whether they are owned or rented, when they were constructed, rents, average housing costs, one-family households, children per family, unemployment; for several categories, the participation rate, the industry categories that the labour force is employed in, the average income levels, median and mean, income derived from transfer payments and incidence of low income families and individuals.

So that we have, from this information on one page, a picture of the 278 communities that comprise northern Ontario and we have the ability to attain a sense of how the forestry communities compare with this Category 4.

I noted in the report that we have done a run with the 54 Indian reserves in the Category 4 and we have done a run with the Indian reserves not in the category and that obviously there were a sizeable number of communities. But as I mentioned, because of the lack of data and because of the circumstances, removing the Indian communities did not make a substantial -- did not have a substantial impact on the results.

Now, we have done -- well, perhaps I should summarize the conclusions that we have reached--

MR. COSMAN: Q. Yes, please,

MR. WATSON: A. --from this analysis, and they are contained on the bottom half of page (iii) of the report.

Q. That is part of your executive summary?

A. Yes.

Q. I wonder if you would just highlight what the conclusions are that you did reach?

A. Well, we found that forestry communities tend to be wealthier in terms of average incomes, they are not as dependent on public funding for the support of the local economy as non-forestry communities, they tend to be somewhat healthier in terms of unemployment rates as well as relative to labour force participation rates than the non-forestry communities, they have much stronger assessment bases, municipal assessment bases relative to the commercial/industrial component and they manifested a number of desirable residential characteristics in the sense of more prevalent home ownership, comparatively high family orientation in terms of children, reasonably rapid growth in the 81-86 period.

I think on the other side we noted that housing rental and ownership costs were --

MS. SWENARCHUK: Excuse me, I am having

trouble keeping up. I wonder if you can speak a little more slowly. I don't know whether anyone else is having difficulty.

MR. WATSON: Sorry, I will be glad to. On the other hand we found that housing ownership and rental costs tended to be higher in forestry communities than in non-forestry communities and based upon our knowledge of the situation, we believe that this simply reflects the higher incomes and the demand forces that exist in the former.

MR. COSMAN: Q. Apart from the cost of housing, did you consider whether cost of living in forestry based communities is higher than in non-forestry based communities?

MR. WATSON: A. We didn't in our report. We received an interrogatory some weeks ago that raised the question of cost of living and we did conduct a special additional piece of research into the cost of living relative to housing -- rental housing prices, clothing, gasoline prices and other matters in five of the top 15 or 20 forestry communities and then five similar sized non-forestry communities.

Q. And what were your conclusions?

A. Our conclusions were that the cost of living in the forestry communities was clearly below

the cost of living in the non-forestry communities.

Q. Can you give us an example of how you determined that?

A. Well, as I have indicated, through a telephone survey of retailers, gasoline operators, of retail clothiers, of realtors and others that comprised some eight or nine major items of purchase. I think the only area where price levels were somewhat higher in the forestry communities than non-forestry was the price of gasoline.

But based upon the sample, which as I said was taken at random from the upper end of the forestry communities and then matched randomly through sizing in non-forestry communities, it was quite clear that the cost of living was lower in the forestry communities.

Q. All right. Before we get on to or move along to employment issues, I wonder if I might ask you to turn to page (ii) of your executive summary in your report and, in particular, Item 2.3.

In 2.3 you make reference to a 1986 report by the Advisory Committee on Resource Dependent Communities in Northern Ontario, a report that was made to the Ontario government and you bullet three particular points of significance from that report.

And I wonder if you might just briefly deal with each and provide us with your comments. The first is that:

"The overall problems of the North are visually translated into horrifying statistics when one examines the plight of resource dependent communities undergoing a major industry closure or downsizing. Years after such closures and with tremendous community and government support one such community still generates unemployment rates of 30 to 35 per cent."

Can you comment on that and tell us whether your own studies are supportive of that statement?

A. Yes. I should say, first of all, that we were required to summarize a rather lengthy report in 10 pages, so that what I have done is to draw upon the literature review that is contained in Section 2.4 of the report and involved looking at six or seven different reports - this was one that I think was of interest - and the area examined was one that was spoken to in several other of the reports, and it was an area that I looked to in the field work in the case

studies that we did, particularly looking at Ear Falls as a recent example where I guess not just a downsizing an outright closure of the Griffith Mine had occurred a few years ago.

So that, yeah, I think that is something that is unquestionably true and something that is very important to be mindful of.

Q. With respect to the second bulleted point:

"The more serious problem presently facing the forest industry is the increasing cost of wood supply. The problem is expected to worsen in future years and be further exacerbated by off-shore competition."

Can you comment on that?

A. Well, I can't comment obviously as a forester or someone expert in the cost of wood supply, I guess that is something the Board has heard of and will be hearing further of, but I was interested to see that in a study of this nature and felt that it was clearly relevant to the matter at hand.

Q. All right. The third bulleted point:

"Without intervention by Government it is unrealistic to expect that any

significant number of new jobs will be created in the North."

Can you comment on that?

A. Well, I think this is an important area as well. I guess the matter of whether or not certain types of jobs, tourism or other types of jobs could feasibly be substituted for forestry jobs as a result of particular restrictions or other policies is always something good to be looked at.

I attempted to examine the validity of this in other ways, looking at other reports and touch upon that in Chapter 6 of the report but, once again, by and large it's a conclusion that I think is borne out.

Q. All right. Now, if I can take you to your comparison of employment income in the various industries operating in the north. Can you please assist the Board with your analysis and conclusions with respect to income comparisons between forestry and non-forestry communities?

A. Yes, I looked at --

Q. So actually if we skip a few pages that have some of the data -- background data sheets, we come to a summary in the tabulation and the display board exhibit?

A. I looked at incomes in three different ways, from three different data sources, this is the first. This is average -- 1985 average annual incomes. It's '85 in that the 1986 census reports upon actual incomes earned in the previous years, so they are reporting on 1985 income, and these are incomes relating to full-time employment.

Clearly we have sectors of the economy particularly in the -- I guess particularly in the tourism area where you have basically a seasonal area of activity where much of the employment is not full time but this has been -- this is simply full-time incomes. And we have three categories of the forestry industry and those incomes range from $22,356 per annum for wood processing to $27,890 for forestry and logging, to $31,599 for pulp and paper in 1985.

Some of the occupations that are generally considered to be tourism related, food and beverage, accommodation, personal service were in the $14,000 to $16,000 range on the same basis of comparison.

So for that component of these categories, that is full time, the incomes are approximately half -- slightly more than half in the case of wood processing, but approximately half of the

incomes of the forestry industry.

We then have what I might refer to as spinoff type occupations; teaching, protective services which would be police and fire, construction trades, transport operating, clerical and related, and those range from $20,000 up to $35,693 in the case of the teaching.

So that some of the spinoff employment then is in some cases better paid than the basic employment that generates it, but much of it is in the same sort of range as is the forestry employment for example.

The other point to make is that this data is Ontario wide. Obviously it's skewed to a degree by southern Ontario incomes in that the north is not represented to the degree that the south is, it's on a 1:9 basis compared with the south and, of course, what we are looking at, therefore, for items outside of -- most of the forestry of course is in the north, so that the forestry incomes then make a statement generally about what is paid in the north; whereas the other incomes would tend to be elevated by being in the south.

So that that is another way of saying in the north I would not expect to see all of the Category

2 and Category 3 necessarily at levels that high.

Q. So for construction trades and accommodation, et cetera, you have to -- in Items 2 and 3 you have Toronto factored in among other things?

A. Yes.

Q. All right.

A. So that is the first way in which I looked at comparative incomes.

The second way was to look at, once again from Statistics Canada, was to look at average weekly earnings. This is more recent information. We had data for hourly personnel and we had data for non -- for salaried personnel, this includes over time, and we start with a level of $134 per week.

We have a category to the left that includes accommodation, food and services, retail, finance and wholesale, and that generally is in the $134 to $400 range.

We have the wood industry as the lowest paid. The forestry category is at 416 and we have manufacturing and construction, and then we have paper allied and forestry over $600 per week, and finally pulp and paper at over $700 per week exceeded only by water transport, with railways and mines inbetween the two. So that it's clear from this information that the

forestry sector is in the middle to upper end of the range of remuneration.

Once again, this is Ontario data subject to the same comment I made on the previous board.

Q. Where does tourism data fit into this picture?

A. Tourism incomes are on the left-hand side.

The third thing that I did was based upon the -- going back to the special tabulation that we obtained from Stats Can relative to forestry employment we asked for income information as well as information on employees and we have several tabulations of that, but one way to look at it is shown here in Figure 4-3 and it shows various categories of income starting at $15,000 and under, ranging up to $50,000 plus.

Once again this is 1985 income from the census of Canada and what I have done is to select a sample of 30 Ontario communities, 27 in the north, two in the near north, one in the far north, and that sample really picked up all of the major forestry communities and it incorporated 21,500 forestry labour force members in those communities and 124,000 non-forestry labour force members in those communities.

So that I have got about two thirds of

the forestry workers in the sample communities I looked at, the 30 communities I looked at, and I have got about 38 per cent of the total employment in northern Ontario. And the sample was selected, as I say, simply to ensure that I had (a) a proper mix of forestry communities, that it wasn't skewed to the more lucrative pulp and paper side, that it had a proper sampling of wood industry and logging and forestry services as well as pulp and paper, and that I had a sample of adequate size.

And what the information from those 30 communities, those some -- information on 150,000 or 145,000 labour force members indicated was that of those who earned $15,000 and under 46 per cent of them were non-forestry labour force workers -- no, I am sorry, let me start again.

46 per cent of the non-forestry labour force members earned $15,000 and under, 18 per cent -- 18.4 per cent of the forestry labour force members were in that category. In other words, almost half of those non-forestry workers in northern Ontario, based on the sample, were in the $15,000 and under category; whereas less than 20 per cent of the forestry workers were in that same category.

Then as you move to $15,000 to $19,999,

you get a similar situation where you get almost 11 per cent of the non-forestry workers in that category, only five per cent of the forestry workers.

MR. MARTEL: Could I ask a question, just before you go on, with respect to the 15,000 category. Is that seasonal or full time that you are talking about?

MR. WATSON: This would be everyone, sir.

MR. MARTEL: What forestry workers, if you look at your own figures -- I am trying to figure out what category that would be of forestry workers that are under 15,000.

MR. WATSON: This could be some that did not work full time for various reasons, and this is 1985.

MR. MARTEL: Yes.

MR. WATSON: It would be going back to -- we are talking here about averages, averages of 22,000. So that you are going to have some above and some below, but all I can do is tabulate the figures. I understand what you are saying.

MR. COSMAN: Q. In 1985 that would include, for example, part-time employees who were hired to plant trees over certain months?

MR. WATSON: A. It would, yes.

MR. MARTEL: That is what I am trying to find out.

MR. WATSON: Yeah, I'm sorry. That chart I just put up of course is full time.

MR. MARTEL: Yes.

MR. WATSON: The 22,000 was full time, so there are part-time --

MR. MARTEL: Yes, that is what I was trying to get at. Some of these are people who are only seasonally employed then in the forest industry.

MR. WATSON: In the forest industry and in other industries.

MR. MARTEL: Yes.

MR. WATSON: But normally the discussion about the economy relates to jobs without distinguishing between full time or how much part time, and I am simply taking the information on those who reported income in 1985 and looking at those jobs.

So that you have approximately the same percentage of both categories earning 20- to $29,000 but then when you get to the 30- to $40,000 category you have almost a third of the forest industry workers in that category, 14 per cent of the non-forestry workers, and you have the same -- a favoring of the forestry industry as you get into the higher

categories.

So that from all the three ways of looking at it; average weekly earnings, annual full-time earnings and this 1985 sampling, it's very clear that there is a significant gap in favour of forestry relative to non-forestry.

Now, the non-forestry does not only include the categories that I have mentioned earlier, tourism and so on, I mean the non-forestry includes whatever is being done in the communities involved, so it includes government and mining and shipping. And Thunder Bay, for example, was in the sample so that it's a cross section of everything else that is being done.

And I made a calculation on -- from this last piece of data I made a calculation on page 4-19 of my report which indicated to me that forest -- based upon this information, that forest industry incomes in the north, 1985, on average were 35 to 40 per cent in excess of the composite of non-forestry incomes.

So that in terms of economic base, in terms of stimulus to the economy, strength of the economy, ability to support the infrastructure within a community whether through property taxation or through expenditures by employees for property and for retail

and for other services, there clearly is a significant gap in favour of the forestry industry.

MR. COSMAN: Q. Now, sir, I would like to take you to the next subject.

MR. COSMAN: I don't know, given the time we started, whether you intend to take a break or not, Madam Chair.

MADAM CHAIR: No, we will break for lunch at 12:00.

MR. COSMAN: Thank you.

MS. SWENARCHUK: Excuse me, could I ask one small procedural question--

MADAM CHAIR: Yes.

MS. SWENARCHUK: --Madam Chair and, that is, I wonder if the Board could institute its new policy of procedural discussions at five beginning tomorrow. It will take me some time to make arrangements like that, and I wonder if we could have a procedural discussion today beginning at four rather than five?

MADAM CHAIR: Excuse me, Ms. Swenarchuk, was there something in particular that you wanted to discuss?

MS. SWENARCHUK: Well, perhaps this comes down to a difference in my notes and some other

peoples' notes. I understood that we were having a discussion today at five with regard to terms and conditions; is that not correct?

MR. MARTEL: If people want it.

MADAM CHAIR: I said if there was anything that had to be said before we received the report of the negotiations on April the 3rd, yes, we would talk about that today.

MS. SWENARCHUK: Then perhaps I will discuss with other counsel whether the intention is to make any comments today and speak to that after the lunch break.

MADAM CHAIR: All right. And perhaps you would like to canvass whether it's convenient at four o'clock to discuss this.

MS. SWENARCHUK: Yes. Thank you, Mr. Cosman.

MR. COSMAN: Q. Now, Mr. Watson, in addition to data collection and analysis I understand from your report that you did an intensive field investigation of three forest dependent communities.

Can you please tell the Board why you chose the communities you did and tell the Board what did you do in fact in conducting that field investigation?

MR. WATSON: A. Well, Madam Chair, what we wanted to do to supplement the analysis that had been made from published information was to visit a number of the communities and to obtain a closer first-hand look at how the forest industry figured into the economy of those communities, and we selected a sample of three.

The sample is Chapleau -- Township of Chapleau, Town of Dryden, Township of Ear Falls. And, of course, we have representation from northeastern Ontario and northwestern Ontario, we have representation of Chapleau from the wood industry, from sawmilling and of course from Dryden from pulp and paper mill, and from Ear Falls from logging and forestry services. We wanted to have that distribution.

In terms of population, we have Dryden as a town of 6,500 persons representative of the numerous towns in northern Ontario, we have Chapleau as a township of 3,200 persons representative of the very numerous number of townships of several thousand persons, and we have Ear Falls as a smaller township with a present population of about 1,400 persons.

Our second reason for selecting Ear Falls was that, as I mentioned earlier, it was taken as an

example of an economy that had recently been distressed or downsized as a result of a major closure and we wanted to get some first-hand sense of that to supplement the literature that we had looked at.

Q. All right. And what did you do in conducting those field studies?

A. We obtained locally the reports and data that were available as to the assessment base, as to building permit activity, studies that had been done by the municipality or for the municipality relative to the economy, to the economic base, to the market area, the retail sector.

We interviewed major employers and of course municipal officials and then we compared all of that with the published data that we had from Stats Can and from other sources and spent several days in each case doing that. And one of the things that resulted was an up-to-date estimate of employment.

For example, in the case of the Town of Dryden, we established that the full-time equivalent employment in the town was about 3,250 persons; that the manufacturing component, which was almost entirely the mill and manufacturing directly related to it, was 1,180. Our estimate of the tourism component was about 210 persons and we have the other sectors;

transportation, construction and business services.

We did the same sort of thing in Chapleau and to a lesser extent in Ear Falls, and what we found, just taking Chapleau first of all, was that of the - I am looking at page 5-13 of my report - of the 1,485 full-time equivalent jobs that existed at that time, which was late 1988, the forest industry accounted directly for about 27 per cent and there were other basic jobs; that is to say, jobs dependent upon a market outside of the Township of Chapleau, other jobs in the rail area and other areas that represented 31 per cent of the economy.

Then on the non-basic side; that is to say jobs that are dependent upon the populous or the employment within a township, that totalled some 42 per cent of the economy and our calculations involved, in terms of indirect forestry jobs and induced forestry jobs, some 42 per cent of the total being forestry.

So, in other words, overall some 49 per cent or virtually half of the economy of that particular community, the jobs therein related to the forestry industry. So that clearly if the forestry industry were removed or down-sized to any considerable degree, that there would be a commensurate reflection in the economy of Chapleau.

We did the same sort of analysis in Dryden. Of course in Dryden you have a much more dominant situation with the mill relative to the community. The forest -- the direct forestry jobs represented almost a third of the total jobs in the town and the indirect and induced jobs, by our calculations, were another 43 per cent. So about three-quarters of the jobs then by our calculations in Dryden are dependent directly or indirectly on the forest industry.

And as we've noted in the report, that does not include in that tabulation the fact that there have been several hundred, and in some cases as many as 600 construction workers in Dryden, most of them not local construction workers, they are there on a weekly -- a workweek basis. They are there in order to -- have been there since the early 80s off and on, in order to carry out various improvements and expansions and modernizations to the mill. So that the figures I've just mentioned don't deal with those employees because they are not employees based full time in Dryden.

We then looked at assessment and that is, of course, the life blood of the municipality in terms of its ability to generate property taxation and we did

an analysis of this nature. This particular one, figure 5-4, relates to Dryden and we simply took the total assessment, which is $26-million, and we took the commercial/industrial business component and of that $18.6-million, which of course is a substantial piece of the total 26.3-million, 69 per cent of that related to forestry and the mill. Another 13 per cent of that commercial/ industrial business assessment was indirect or induced forestry employment by our calculations.

So 70 -- or 82 per cent of the commercial/industrial business assessment, which is normally the assessment that a municipality looks to in order to sustain itself in that residential assessment, is not sufficient to cover its own costs. 82 per cent of that, by our calculations, related to forestry.

Now, in the residential side, of the $7-million on that side, once again a significant amount of that related to forestry direct and forestry induced. Of course, these are the employees of the mill and the employees of those companies dependent thereon.

The situation in Chapleau was not that strongly forestry dependent. In part because we are talking about sawmills versus a pulp and paper mill, in part given that one of the mills was just outside the

municipal-boundaries and actually portions of two other establishments were partly outside of municipal boundaries. But despite that fact, even in Chapleau there was a very substantial contribution made to the tax base by the industry.

Q. Are there any other comments you wish to make with respect to the specific case studies of various communities that you undertook?

A. Well, the situation in Ear Falls was one where of course the economy was, up until 1986, dominated by the mine and it represented a very substantial amount of the assessment, a significant amount of employment. And based upon a study that was done shortly after the closing was announced and based upon the field work that I did a couple of years later, we got a very clear sense of the validity of the paragraph contained in the middle of (viii) of the executive summary of the report.

The fact that the impact of a downsizing is very real and it's felt throughout the community and it definitely has a very significant negative impact upon businesses and upon the municipality. It definitely puts additional pressure upon senior levels of government for grants and significant pressure upon property tax rate and for a remote community it quite

clearly is a very difficult matter when faced with a loss of that nature to replace that loss.

It's something that if it's every done, in my experience, it is something that extends over a very considerable amount of time, it is a very gradual matter and in many cases, as reported in the literature, the loss is never made up for.

Q. All right. Perhaps with that I can ask you to turn to Chapter 7 of your report which deals with the community impact of disincentives to the forest industry. And perhaps just before dealing witn that, specifically I wonder if you might address the figure 7.2, Operation of the Economic Multiplier as the lead into that discussion.

Perhaps with that, Madam Chair, we can have the lunch break.

Do that first.

A. Well, figure 7-2 is just a simple schematic illustration of the economic multiplier effect. It was discussed in Panel 5 and it simply says that when you have investment in any industry, and of course we are looking at the forest industry, when you have capital investment, subsequent employees, as a result of that you would normally have -- spending occurs within the impact area and then you are going to

have a certain amount of spending outside the impact area.

You may be bringing in major equipment that is purchased offshore and does not directly relate to the local impact area, but you will have local contractors and other expenses within the area and then that spending relates to businesses, it relates to the employees that work in the industry and the businesses and the employees then spend a portion of that additional income outside of the impact area and, hence, it is not of relevance to the particular community. It is going to impact upon the region, it is going to impact upon the north, it is going to impact upon Ontario, Canada, and to some degree offshore. But our focus here, as I said, is on the local community.

So that you will have some of the additional incomes outside of the community and then absent taxes and savings by employees and by businesses, you are going to have purchases from businesses within the impact area and then similarly they have payments to employees and to businesses and some of those go outside of the area and so on down and each level -- each cycling, respending of this initial investment then becomes smaller as you move more

outside of your impact area.

So that we are just making the obvious point that the initial investment, the direct expenditure on capital investment and wages is the first instance and then you have the recycling through. And that, of course, magnifies the beneficial impact of acquiring new investment and the converse of that is that you get a magnification of the impact of a loss.

You know, where you lose investment or where you have a downsizing rather than have this occur, you have an absence occurring, so that some of the spending that occurred here and here is no longer experienced. (indicating)

MR. COSMAN: And we will be dealing with forest industry investment in Mr. Ross' evidence.

And with that, Madam Chair, I think we are almost right on. We will be starting a new subject.

MADAM CHAIR: All right. Let's break for lunch and we will continue at 1:30.

MR. COSMAN: Thank you.

---Luncheon recess taken at 12:00 p.m.

---On resuming at 1:30 p.m.

MADAM CHAIR: Please be seated.

Ms. Swenarchuk?

MS. SWENARCHUK: I believe it is the preference of counsel to have this discussion at four o'clock this afternoon rather than 8:30 tomorrow morning as we have already discussed the possibility, if that's agreeable to the Board.

MADAM CHAIR: All right, let's do that. One further point. Mr. Turkstra has joined us and if there are any comments that anyone wishes to make or any questions they have to put to Mr. Turkstra, perhaps we will do that at four o'clock. He would like to leave at 4:30 and I expect that won't take very much time and then we can deal with this other matter.

MR. COSMAN: Thank you, Madam Chair.

Q. Mr. Watson, I would ask you to turn to figure 7.1, which is the last page of the display board exhibit, and I believe also you have a display board for it that I would ask you to put up.

Now, figure 7.1 is indicated to demonstrate the potential socio-economic implications at the community level of forest management policies which unduly restrict wood supply. I wonder if you would take some time to go through the various steps that you have outlined in your exhibit.

MR. WATSON: A. Certainly, Madam Chair. I'm starting at the top of the box that addresses

forest management policies and alternative methods which in one way or another restrict wood supply and increases costs. I guess there are obviously a variety of ways in which that could occur and it's a matter of degree, but we are talking about a hypothetical set of circumstances.

Some of those could have a negative impact on corporate financial returns in terms of the yield related to a project, cash flow, the risk, predictability, to those aspects that underlie a capital investment or the decision to proceed with a particular level of production.

The result of that then could be a reduction in production, the deferral or cancellation of plans to expand and in some instances possibly the closure, whether it's the closure of a logging operation or a sawmilling operation or some other similar operation.

As a result of that reduction or deferral or closure, you then have reduced investment, either the loss of opportunity for an investment that was going to be made or a reduction in terms of what's already in place relative to expansion or modernization, major maintenance or enhancement. As a result of that then, you have inevitably fewer jobs.

You have fewer construction jobs and you have reduced operating employment and, in addition to that, reduced local purchases from the forest operation.

The consequence of reduced jobs, of course, is reduced local income and reduced local income at a certain point will normally produce increased out migration as particularly the younger workers look elsewhere for livelihood. And if that starts to occur, we then - at the bottom of the table or the figure - have three boxes. One discussing social impacts, one talking about local business impacts and one dealing with the impact on government because all three of those, it seems to me, are intertwined and are somewhat inevitable or a likely consequence of a significant reduction in box 7.

On the social side, of course there is a reduction in the standard of living as incomes fall, in some cases there would be dislocation and family separation as jobs are sought elsewhere and families are fractured. There will of course be reduced value of the home and ability to sell the home, time required to sell it, equity in it, reduced local career opportunities and second income options and those matters, I guess, in a number of instances can lead to increase of local crime, family problems and health

problems. So that there is a social aspect to the matters that I've been discussing.

My focus, I guess, has been on the economic, but the social is a little more difficult to quantify, but I think it's clearly a consequence.

In term of local businesses, the local market -- of course as you have out migration the local market contracts, sales and profits are reduced. In some cases you are going to have job loss occur and depending on the size of the firm, the nature of the firm, perhaps even bankruptcy for the smaller service sector firms if the out migration has been substantial.

You are going to have, of course, reduction of property and business value, local opportunity and, once again, increased difficulty in selling the property in the face of a contracted market. And obviously there will be reduced potential to expand the business and reduce potential to provide a broader range of services. So that's at the private level.

At the public or governmental level, first of all at the municipal level, a significant amount of out migration will produce wasteage in terms of the capital -- municipal capital infrastructure that's been put in place, sewer and water plants, the

schools, the hospitals, roads and other facilities with very little opportunity in many small resource based communities to make other use of those facilities.

The operating costs don't normally decline pro rata with reductions in populations, so that you are going to have higher prices passed on to the consumer or the requirement for higher levels of grants from municipal affairs and health and the other ministries.

You will have increased spending, federal spending for unemployment insurance and relocation assistance, increased provincial spending for municipal grants, whether they're unconditional grants or special purpose grants, incentive programs, of course there is lost income tax and sales tax revenue and the needs to increase property tax and user rates.

Q. Now, sir, in your opinion as an economist, are the socio-economic impacts and dislocations that you have described a matter of theoretical conjecture or are they very real possibilities in the context of the northern economy as you have described it?

A. Well, of course, Madam Chair, it's a matter of degree, it's a matter of the circumstance faced. In order to deal with that kind of question, in

Chapter 7 I took a hypothetical situation in the case of the Township of Chapleau on page 7-8 and 7-9 of the report and based on our knowledge of that community as being a fairly representative northern community, smaller northern community, we worked through what would seem to be the inevitable consequences of a fairly significant shutdown; a shutdown of a major saw mill, loss of 200 full-time equivalent jobs, and we worked through what would occur, as I say, based on your knowledge and you would start with the loss of about 13 or 14 per cent of the jobs in the township as a result, as a direct result.

That loss would over time - it wouldn't be immediate but over the course of a year or two - I would expect to see another 10 per cent of the jobs lost. As you have out migration for the first instance, perhaps not the full 200 family units but a significant amount, then you would have downsizing in the support area, in the service area. As a result, over the course of a few years I would expect to see only 25 per cent of the jobs in the township sacrificed.

The population loss that would occur is a matter of demographics, whether the population is young or old, the nature of their skills and their attitudes.

It's difficult to predict how many would move and how many would stay, but certainly there would be a significant number out migrating based on what we know about that situation.

As a result of these factors, inevitably the real estate market would be impacted. You would have listings increasing and, of course, demand shrinking, you would have home owners becoming very concerned about their own equity situation and you would have -- inevitably you would have prices falling, certainly by a tangible amount, you would have a much lengthier time required to dispose of a property and I think that that would have, on the social side, consequences on families attempting to plan their future, to decide where they are going to go from here.

On the property taxation side -- and this community, as I mentioned, a good deal of the assessment is not within the community; however, you would have a decline in property assessment based of about 5 to 10 per cent and over a few years eventually reaching 10 per cent when you factor in the loss of support jobs. So that there would be so some tangible increase as a result in property taxation.

It would not normally be possible for the municipality to downscale its costs by that amount.

There are fixed costs that are spread over the base and general government and many others and costs required to maintain particular capital facilities and they can't always be downscaled.

So taxes, property taxes would increase and they would be increasing at a time when property values would be falling so the tax burden would be magnified. You would have political pressure, as I mentioned, on the governmental side, you would have pressure on the federal and provincial government relative to incentives and grants and then all of this in sort of a catch 22 would lead to even greater uncertainty and foregoing of additional capital investment for the community as a whole in the face of uncertain prospects and that would serve to further exacerbate the situation.

The workers displaced would be choosing between social assistance, lengthy commutes to other communities, temporary or permanent relocations, job downscaling and reduction of standard of living. None of the choices are very attractive.

I guess in the Toronto area, if something of that nature happened, one might look to having other members of the family work or working longer hours or choices of that nature, but when you're in a small

remote community you often don't have that opportunity; the jobs just aren't there. And all of this could be expected to produce tensions at the personal and family level and those to some degree would reflect, as I say, in the functioning of the community itself.

I conclude that discussion by saying that perhaps the most significant aspect of the job loss would be the prospects of recovery being quite limited. I think most of us came through the worst recession in decades, earlier in the 80s, with some sense that things were going to get better in the foreseeable future.

We are aware of cycles, but I think what separates that circumstance from the example in Chapleau might be that that confidence that there would be -- and this is simply a cycle and that there is going to be another recovery, there is going to be something to replace or substitute is not necessarily a well-founded assumption.

Q. Let me ask you there. From the perspective of socio-economic impact which the Board has to consider under the Act, does the Board have to be concerned that there might be downsizing or reduction of production levels or mill closures?

Why wouldn't tourism or some other sector

of the economy just step in and replace forest industry jobs and sustain our northern communities?

A. Why wouldn't tourism step in and replace the forestry sector jobs? Well, I think the context for answering that question, first of all from my point of view, it would be my view that the economy of the north has fairly real and obvious handicaps that spring from the remoteness and the vastness and the sparsity of population and the climate and those are obvious things, but I think they are very real.

The second part of the context is what I have been discussing in terms of the risks of, shall I say, being wrong, the severity of the penalty that would be visited upon literally dozens of communities that are dependent upon this industry as the mainstay of their economy.

So in that kind of context my attitude is that rather than look for substitutions I think one should look for additions, I think one should look for synergy or spinoffs, and that it's a wrong approach or a wrong premise to be saying, you know, we are going to eradicate this in order to substitute something else.

I guess if a situation arose where that seemed to be necessary for some reason, then clearly I guess it's incumbent on one to be very sure that the

net benefit created -- that there is a net benefit created with net underlying and that it's a very -- that it's a significant net benefit.

Now, your question related to substituting tourism for forestry, and from the discussion that I have had this morning about tourism versus forestry I guess it's clear that tourism is much more a seasonal form of occupation than forestry is and, therefore, it's more difficult to sustain a full-time economy on a seasonal base. It can be an excellent supplement to something already there, but I think it's much more difficult to, as I say, to have the mainstay around a seasonal occupation.

Secondly, in terms of the incomes that are generated, we talked of full-time income as being half and incomes allowing for the seasonality being much less than that. So that it's not a matter of substituting a forestry job for a tourism job, you might have to substitute three or four or five tourism jobs to be the equivalent of one forestry job because the forestry job carries with it normally additional construction expenditure, additional assessment.

I say normally in that I say you have logging jobs and they don't fall into that category, but I am talking forestry overall, where you have the

mills and you have all aspects of the industry. So that I am saying it's not a job for job sort of transaction.

I guess the other way I would look at this would be in terms of endeavoring to strengthen what you already have. I think, you know, we do a fair amount of work with the municipal development commissioners around Ontario and I think many of them have come to the realization in the last decade that most of the demand for land in their industrial parks comes not from new things, new entrants, it comes from expansions of things that are already there, it comes from providing a business climate for the businesses that have come to the community, expressed confidence in the community, providing a climate whereby they can flourish and grow. And so I think that is a better objective when you talk about substitution.

I guess the last thing I would say is I would want to be careful not to take hard tangible jobs that exist and trade them off against hopes, trade them off against jobs that may evolve in the coming decades and may not.

MR. MARTEL: Isn't that a reality, that you couldn't replace jobs in the resource sector with tourist jobs. One only has to look at Elliott Lake,

it's going to lose 1,400 and 400 -- 1,800. How many tourist jobs would you get or need to replace what is probably the most devastating blow to that community in the last 20 years?

MR. WATSON: Well, I think that is the point, yes.

MR. MARTEL: And every time we close down some mine, isn't the other thing everybody turns to right away is tourism as the salvation?

MR. WATSON: Often.

MR. COSMAN: Q. Mr. Watson, in summary, perhaps I can take you to (x) of your executive summary 7.4.1. You make the point that this report of yours quantifies for the first time in the literature the leveraged economic contribution at the individual community level made through the activities of the forest industry.

MR. WATSON: A. Yes.

Q. And I am going to ask you now just perhaps to summarize your evidence by telling us, telling the Board what the significance of the forest industry contribution is to the economy and the communities of the north.

A. Well, as I have indicated in the last sentence or so, I am convinced from the research I have

done that there is no question that it's of critical importance to the communities of the north, to the stability of what I am calling the relatively fragile economy in the area of the undertaking, and I think it's clear that disincentives to the industry that are such that they impact in a real way on capital spending and on employment would have very serious impacts upon the economy of those communities, and since those communities are among the strong point in the north, it follows that the negative impacts would spread throughout the north through the multiplier effect.

Q. Thank you, Mr. Watson.

I wonder if you might trade places with Mr. Ross for the next portion of the evidence.

MR. COSMAN: Now, Madam Chair, just as a matter of housekeeping, at the outset I have Mr. Ross' errata sheet that I would propose to file at this time. (handed)

MADAM CHAIR: Exhibit 1051.

---<u>EXHIBIT NO. 1051</u>: Errata Sheet re Report of Michael Ross.

MR. COSMAN: And, secondly, just as a matter of housekeeping, Madam Chair, I asked Ms. Devaul over the lunch hour to make sure that Exhibit 1035 from Panel 1 was available to you, and the other parties

should make a note of that.

I probably will not reach it this afternoon. I am not going to be going through it page by page but, in any event, they might want to bring it with them tomorrow, and that is the Superior Study that was filed in Panel 1.

Q. Now, Mr. Ross, I am first going to deal with your report, the Economic Profile of the Ontario Forest Industry. Can you tell the Board please what your objectives were in this study and what were your terms of reference?

MR. ROSS: A. Essentially we were asked to review Panel 5 and to identify any additional information which we thought would be useful to the Board with respect to the economic profile and economic dimensions of the Ontario forest industry.

Q. All right. And how does your report differ from that of Mr. Watson who has essentially said that he was looking at the evidence that came before him as well? What was the focus of your report?

A. Mr. Watson's report is focused at the community level and he has built up his evidence through -- really from the ground up, if you will, at the community level.

Our focus has been at the level of the

Ontario economy as a whole in some aspects and the area of the undertaking in aggregate in other aspects of the report.

Q. Now, I do not intend to review the report with you in detail as the Board and the parties will already have read it, but I am going to ask you to highlight certain key points that you have made in your report.

And perhaps I can ask you to turn to page 6 just at the outset and ask you to inform us as to the structure of this report. Can you outline that for us, please?

A. Certainly. In the second chapter of the report -- would you like me to summarize?

Q. Just give us the overall structure chapter by chapter?

A. Okay.

MR. FREIDIN: Excuse me, page 6 of what document, Mr. Cosman?

MR. COSMAN: Exhibit 1046, the big one.

MR. ROSS: This is the Economic Profile of the Ontario Forest Industry.

MR. FREIDIN: Thank you.

MR. ROSS: In Chapter 2 we provide a more comprehensive definition of the industry than was

provided in Panel 5. Although we went at it from somewhat different lines, we have ended up in a similar position to Mr. Watson in that we have included the forestry services sector and have also looked at impact of capital expenditures.

We, therefore, quantify the economic impact of this broader definition of the industry and also look at the net financial contribution it makes in terms of flows of funds back and forth between the industry and government.

In Chapter 3 we focus on illustrating in a number of different dimensions the cyclicality of the industry. We had a concern that, particularly when Panel 5 was produced, the industry was at the very top of the business cycle and there was a desire really to present the information in a way that emphasized the cyclicality of the industry because it is a cyclical industry, and that included looking at a longer time frame in which more cycles might have occurred.

In Chapter 4 we try and place the Ontario forest industry in context by comparing it with other major industries in the province both in terms of some historical trends at the provincial level and also we have undertaken a good deal of work to try and consider the economic contribution of the forest industry and

other industries in the area of the undertaking as well.

Chapter 5 responds to a concern we had in reviewing Panel 5 which was the suggestion that while the industry had made significant capital expenditures in the past, that was kind of a periodic phenomenon; we, therefore, conducted a survey of both historical and future capital expenditures in both the pulp and paper and sawmilling sectors which I think illustrates that there are substantial capital spending requirements on an ongoing basis to remain competitive.

MR. COSMAN: Q. All right. Just before we go into the composition and economic contribution of the industry, I wonder if I might ask you to turn to page 14 in the section called Importance of Small Businesses. Can you tell us why that is there and what your conclusions are?

MR. ROSS: A. It was really our desire to make it clear that the forest industry in Ontario is not a monolithic structure. There were times in which Panel 5, in my view, by grouping the various components of the industry together and speaking to them -- speaking of them as one, could leave the reader with the impression that in some ways all the segments are the same.

I think in particular it's clear, and we have illustrated in Exhibit 4 which is on the preceding page of the report, that there is a substantial difference between the pulp and paper side and the sawmilling side in terms of the scale of operations.

Half the pulp and paper mills in the province are capable of producing something like $600,000 worth of output a day; on the other hand 82 per cent of the sawmills in the province have a daily value of production which is less than $6,000. And there are only a few sawmills in the province who produce something like $30,000 worth of output a day. So that is the first half of the equation if you will.

We extended the analysis further to look at the amount of employment in the industry which is provided by small business, and that is really what we are dealing with on page 14 in your reference and Exhibit 5 opposite to that contains the data.

Q. Was there considerable employment in the area of the undertaking provided by small business?

A. Yes, there is. Several thousand jobs and something like 92 per cent of all the logging establishments in the area of the undertaking and something like 72 per cent of all the establishments in the wood industry employ fewer than 50 people.

I think one of the implications of this is that while there are many large and relatively financially strong firms in the forest industry as a whole, there is a substantial component of small business and typically small businesses are relatively vulnerable to changes in market conditions and operating costs.

Q. On page 15 you describe in the chapter on economic impact of the industry a definition of the industry which includes forestry services.

Can you tell us what the effect of including forestry services in your definition of the forest industry meant in terms of the data that you reviewed and analysed?

A. Certainly. The Panel 5 definition of the industry, which was a little narrower than ours, shows that there are I think in the order of 72,000 jobs in Ontario directly in the forest industry, and through the multiplier effects that Mr. Watson was talking about, approximately double that amount supported by the industry in total.

In other words, for every person who works in the industry there is another job in Ontario which is supported by the industry either in a supplier sector to the industry or in selling goods and services

to the employees of the industry. Adding the forestry services sector to the definition of the industry increases that estimate somewhat.

The sector itself employs close to 6,000 people in Ontario and assuming the same kind of multiplier relationships, supports another 6,000 jobs in what are called direct and induced. So including the forestry service sector adds another 11,600 jobs to the size of the industry.

Q. All right. You also deal in this chapter with the impact of capital expenditures. Is that not dealt with in Panel 5?

A. The employment implications of capital expenditures are not dealt with in Panel 5. Mr. Watson made some discussion of the importance of capital expenditures in a town like Dryden and there are significant capital expenditures made by industry in a typical year.

We were looking at 1985 and the industry in Ontario spent almost two thirds of a billion dollars in capital expenditures in that year, that also creates substantial employment in Ontario. And if we look at the impact of including capital expenditures both in terms of the direct jobs and the indirect and induced jobs, we are looking at about another 7,700 jobs in

that year.

Q. Is this summarized on Table 2 on page 18?

A. Yes, it is.

Q. I wonder if you can just briefly take us through that.

A. Well, what we are working towards in Table 2 is that total in the bottom right-hand corner which is the 7,700 jobs. We have built it up by breaking capital expenditures into two components, construction which is basically on-site work and purchases of machinery and equipment. The reason for making the distinction is that typically there is much higher job content in the construction expenditures.

We have then looked at using the same input/output techniques that were used in Panel 5, the Statistics Canada input/output model, made estimates of both the direct, which is the second column, and the indirect and induced jobs associated with each of those components.

Q. And do you summarize the total economic impact on Table 3 at page 19?

A. Yes, we do.

Q. And as measured by employment created in the province in 1985, what do those figures

demonstrate?

A. Well, we are really building upon the somewhat narrower definition that was used in Panel 5, which is the column headed: Logging, Wood, Paper and Allied Industries, adding our forestry services component another 11,600 jobs and the estimated impact of capital expenditures that I discussed a minute ago, another 7,700. So in other words the total is around 172,000 in 1985.

Q. Now, sir, I would like to take you to page 20, the financial contribution of the industry and government to forest management activities, and I think you make a note in your report that a question of this arose during cross-examination and as a result you have addressed this issue.

Would you kindly assist the Board with your conclusions as to the respective contribution of the forest industry compared with expenditures by government in the area of the undertaking?

A. Well, the results are summarized in Table 4 which is on page 24, and Table 4 is really built up from two previous exhibits, one basically is Exhibit 7 opposite page 21 which looks at taxes, stumpage and area charges generated by the industry; and the other is Exhibit 8 opposite page 23 that

details expenditures by government and by the industry on forest management activities.

So in Table 4, if I look down the row headings we have estimates of expenditures by industry, that is net of government assistance and expenditures by government on forest management activities, and we also show in the next row the taxes, stumpage and area charges paid by the industry to both levels of government. In this whole table we are talking about both federal and provincial governments lumped together.

So in 1983-84, for example, the amount spent or generated by industry was about $287-million, payments by government were about $260-million. In 1985-86 -- there is actually another errata here that wasn't in that letter, that $367-million should be $370-million.

MS. SWENARCHUK: Excuse me, should be...?

MR. ROSS: 370. I propose perhaps to summarize that in a written form tomorrow so that people can make the changes.

MR. COSMAN: Q. All right.

MR. ROSS: A. And payments by government were about $308-million.

Q. Is a comparison valid of monies

expended by industry as compared with that expended by government; is a direct comparison valid?

A. I think it's worthwhile getting a sense of the magnitude of expenditures that the government makes, if not exactly on behalf of the industry - and I will come back to why I say that in a minute - at least expenditures by government on forest management activities with the industry's share of expenditures on the same activities and the revenues that industry feeds back to government. It gives a sense I guess of which way the flows are occurring and, on balance, there seems to be a flow from industry to government, but it's not a large number in proportion to the magnitudes involved.

If I could go back. The reason I said that, while government spends this money on forest management activities, it's not necessarily all attributable to the forest industry as a whole. For example, silvicultural expenditures and protection expenditures benefit all the users of the forest.

MR. MARTEL: Doesn't it leave an impression though, whether fair or unfair, that industry is spending as much as government is on - if someone looks at that chart quickly, industry is spending as much on forest management through stumpage,

et cetera, as government is spending on forest management.

I looked at that chart a number of times I must admit and I understood what you were driving at, but it seems to create an impression that industry in effect is putting as much money directly into forestry and regeneration as is the government.

I am not dispensing the fact that they are paying tax and so on to government which in effect finds its way back in there, but it just seems to leave -- I thought Mr. Cosman might have been highlighting that, because it does leave a sense there.

MR. ROSS: Well, in some ways the relationships between the government and the industry are structured in such a way that the industry pays certain resource-specific taxes to government and other taxes that are based on the profits they earn from the resource but -- for example, like corporate income tax, everybody pays it, and then the government pays a bunch of money the other way to the industry to undertake forest management activities, but the dollars aren't tied.

I mean at least, a dollar of corporate income tax isn't paid on condition that the government is going to turn around and make a payment back to

industry for forest management activities, although perhaps the stumpage and area charges, there's more of an implicit agreement that that is the arrangement. And I am not meaning to suggest they are tied, but just to look at the magnitudes that are flowing in both directions.

MR. COSMAN: Q. Now, Mr. Ross, if I may, if I could take you to page 26, the next page, the economics of the industry where you address the issue of cyclicality. This was also discussed by other witnesses.

How does your analysis here add to what the Board has already learned in its earlier evidence.

MR. ROSS: A. Well, I think in some sense of events that moved on with regard to this chapter. The chapter was really written in response to, as I said earlier, the perspective that was left from Panel 5 which, for no reasons of its own, was put together at what was probably pretty close to the top of the cycle and we had a concern that the Board might lose sight of the fact that it was a cyclical industry just because of those circumstances.

I think events since Panel 5 were put in place confirming the cyclicality of the industry and perhaps there is less need to dwell on this, although

we have actually gone into a good deal of detail with respect to cyclicality in a number of dimensions; looked at the cyclicality of prices, cyclicality of operating rates in the industry, cyclicality of profitability which is quite extensive, and some of the relationships between the cyclicality of profitability and the cyclicality of operating rates.

We have updated one exhibit which is Exhibit 18.

MR. COSMAN: Yes, I have that here. (handed) Madam Chair, I would tender --

Q. This is what, sir? Perhaps we can just describe it for the record.

MR. ROSS: A. Well, the original Exhibit 18 is on, I guess it follows page 35.

MADAM CHAIR: Thank you.

MR. ROSS: And it's looking at the real -- or adjusted for inflation net income of three public forest products companies; Abitibi-Price, Domtar and Great Lakes, now Canadian Forest Products -- or Canadian Pacific Forest Products.

And that was an exhibit in its original form that suffered from some of the same deficiency that I was describing with respect to the timing of the Panel 5 exhibits that showed profitability at a peak in

1987 since we produced this report in September.

MADAM CHAIR: Excuse me. That is exhibit 1052.

MR. ROSS: Okay.

MR. COSMAN: Thank you, Madam Chair.

---EXHIBIT NO. 1052: Update of Exhibit 18 to Mr. Ross' evidence.

MR. ROSS: More data have become available that I think show that the earning of firms in the industry are in the downward part of the cycle, which is perhaps not news but it's confirmed in the exhibit.

MR. COSMAN: Q. Can you, having regard to Exhibit 18, show how that is so?

MR. ROSS: A. Well, the revised Exhibit 18 extends to the year 1989, on the previous exhibit we only had data up to the end of 1987. Each of those three lines represents the net income adjusted for inflation of a different publicly traded forest products company and in each case incomes have fallen off considerably by 1989 from the peak which, in some cases, is two years earlier and in other cases is one year earlier.

MR. MARTEL: Can you tell me what's happening to the saw mill industry as a result of both

the dollar coming higher which effects the sale in the States and the tax that was added?

Just what kind of shape is the industry in, particularly that of the lumber industry?

MR. ROSS: Well, I believe it's in fairly tenuous shape. For some of the reasons we described earlier, it doesn't have the financial strength of the integrated pulp and paper industry. It has borne the additional burden of the 15 per cent export tax.

I think when the pulp and paper industry is weak it has difficulty selling the same chip volumes at the same revenues to the pulp and paper industry and I think the market for its basic product has not been strong in the way that a number of the pulp and paper product markets have been strong in the last few years.

So it's really the industry has laboured under a number of comparative disadvantages and I think it's in quite -- in many cases in quite a marginal position.

MR. COSMAN: Q. Now, Mr. Ross, before we leave the issue of cyclicality, can you assist the Board with how cyclical the industry is relative to other industries; that is, how cyclical the forest industry is relative to other industries?

MR. ROSS: A. Certainly.

Q. And perhaps where you can, have regard to the specific portions of your report that are relevant?

A. Well, we've addressed this issue in the next chapter which is Chapter 4, where we have looked at some inter-industry comparisons. Chapter 4 begins on page 40. The exhibit of interest perhaps is Exhibit 21 which is opposite page 42.

Q. All right. Will you take us through that exhibit please and tell us what it demonstrates?

A. Yes. We compared the forest industry to four other Ontario industries, one was mining and primary metals which which selected because it is the other big resource based industry in northern Ontario; the second is the transportation equipment industry which is essentially Statistics Canada's word for the auto industry. We chose it because it is the traditional main stay of the southern Ontario manufacturing industry. We compared it to the food processing industry which, because it produces an essential good, if you will, tends to be relatively stable and then we compared it to manufacturing in total.

Q. The comparisons on Exhibit 21 are in respect of employment; are they?

A. Yes. We've looked at comparisons of employment and in each case we're looking at the cyclicality of the industry; in other words, we have taken out any growth trends and are just looking deviations around the growth trends.

Sometimes it's hard to read from the graph exactly what's happening. We have also done some quantitative analysis that's reported in Appendix H, I believe, but the gist of it is that employment in the Ontario forest industry has been less cyclical than employment in the transportation equipment industry.

Q. That's the automotive industry?

A. The automotive industry which is quite a cyclical industry. Cyclicality of employment is about the same in the forest industry as in the mining and primary metals industry. These results are are on page 43, by the way.

It's less cyclical than -- I'm sorry, it's more cyclical than the food processing industry as one might expect and employment in the forestry industry has been a little more cyclical than employment in manufacturing as a whole in Ontario but only slightly so. And of course while the cyclicality of the forest industry and the mining and primary metals is about the same, the forest industry has grown

somewhat over the period we are looking at, whereas the employment in the mining and primary metals has declined considerably.

Q. All right. You placed the forestry industry in a position not out of line with other manufacturing sectors relative to the north. What about productivity?

A. Well, just perhaps to finish the thought on that cyclicality.

Q. All right.

A. I think that was our intent. Obviously, cyclicality is a concern and the forest industry is a cyclical industry. That has implications for risks with respect to stability of employment and stability of the northern economy, but I think its cyclicality is a fact of life in manufacturing oriented industries and I think really that was our intent here, which is to illustrate that it is not out of line from a cyclicality perspective.

The issue of productivity, which is dealt with particularly in Exhibit 22, opposite page 44, that's another area that we've dealt with because of issues that were raised particularly in cross-examination of Panel 5.

The concern that was expressed in that

cross-examination was that productivity improvements in the industry meant that the employment provided by the industry was less than otherwise would be, that productivity improvements cost jobs, and I think there is no doubt that productivity improvement is a two-edged sword; it does mean that you can produce the same amount of output with less employment if productivity increases are achieved but, on the other hand, obviously one needs to improve productivity to remain competitive and there are competitiveness issues associated with almost every segment of the Canadian economy.

So, again, our intent here was to compare labour productivity, which is output per unit of labour input, between the forest industry and those other manufacturing industries that I had indicated before. The gist of the results are provided in Exhibit 22 in the column that's entitled Percentage Increase and Labour Productivity.

Q. That's right after page 43?

A. Yes. Which shows that productivity increases between 1971 and 1986 in the forest industry - well, they varied considerably among the sub-segements - were about 35 per cent in aggregate. That's a better productivity performance than was saw

in the mining and primary metals industry, about the same as in the auto industry and somewhat less than in the food processing industry or total manufacturing.

Again, I think the industry has achieved reasonable productivity performance and it's in line with what's happening in other sectors of the Ontario economy.

Q. All right. Did you make similar comparisons in trends in real earnings, earning levels?

A. Yes. Exhibit 23, which is opposite page 45, has looked at percentage increases in what we call real weekly earnings in these same manufacturing industries. Real means adjusted for inflation.

And if I look at the column entitled Percentage Increase in Real Weekly Earnings, again we see that the forest industry is representative of the other industry sectors, although actually earnings have probably increased a little more in the forest industry than, for example, in the auto industry.

It's forest industry and mining of primary metals which have had about 25 per cent increases in real weekly earnings that outpace, although not by a lot, the increases of 17 per cent in transportation equipment and 18 per cent in manufacturing as a whole.

Q. Can you assist as to where tourism fits into this kind of comparison?

A. It's difficult to put tourism into this kind of context because tourism is not an industry like these other sectors are industries. I believe the Board has heard evidence to this effect already, but tourism is really an activity that people undertake; in other words, I go on a trip and a number of industries serve me in my tourist mode. I may use the services of the accomodation industry by staying in a hotel, I may go to a restaurant but none of those -- either of those industries or any of the others that are grouped in tourism only serve the tourist.

So that one can look at those industries which serve tourists but recognize that not everything they do is serving tourism; in other words, if I go downstairs to the restaurant and buy lunch, that's not a tourism activity because I just live down the road, if Mr. Martel does, that may well be tourism activity because he is more than 25 miles away from home.

Q. And that's the definition; is it?

A. 25 or 50, it depends on whose survey you are talking about.

Q. In that regard, all of the hotel and meal expenses in connection with this hearing in

Thunder Bay will show in the "tourist" revenues generated in the north?

A. Well, if you were comfortable that data collection in the tourism sector were accurate they would -- conceptually that's where they belong. But the the gist of it is there aren't similar numbers as we have in Exhibit 23 for the tourism industry per se and we haven't looked at trends in tourism earnings of the sort that we have with these sectors here.

Q. All right. I would like to take you now to --

MADAM CHAIR: Excuse me, Mr. Cosman.

MR. COSMAN: Sorry.

MADAM CHAIR: Are you making a comment generally about the quality of data that is available in the tourist industry?

MR. ROSS: I think typically it's not as good as data that's available for other sectors and it's because of the complexity I was speaking of. Because it isn't an industry, you can't go -- you can't look at industry pay rolls or industry corporate income tax returns or data on industry output. Instead what you have do is try and identify the activities that people undertake which are defined as tourism.

MR. COSMAN: Q. So in that regard,

would the --

MR. ROSS: A. If I can add...

Q. Sorry.

A. Typically they way you do that is you ask people. You might get a phone survey one day that said: Could you please recount all your tourist related expenditures in the last three months and they would explain to you what they meant, and depending on how hard you wish to think about it at the time that would be the basis of the estimate.

So instead of relying on establishments that have to keep records kind of as a matter of course, typically the levels of activity are determined by surveys of individuals and their problems with recall and completeness and that kind of thing.

MADAM CHAIR: Are you implying that some of the data that we might see in terms of the overall value of tourism in northern Ontario is overestimated?

MR. ROSS: No, I don't think I'm implying that. I think it just has to be evaluated or considered in the context of those concerns.

MR. COSMAN: If that is our view having reviewed that data, we will certainly let you know, Madam Chair.

Q. Now, just to finish off that context

of the data reporting. Would there be any way that the expenditure by Mr. Martel for lunch, which be classified otherwise as a tourist expenditure, would show up other than through the kind of subjective survey you talked about?

MR. ROSS: A. Well, the expenditure will show up in a sense by people who consider the activities of the restaurant industry in the same way that it might show up in the transportation equipment manufacturing industry. The problem is not so much capturing the expenditure, it's deciding whether it's tourism or not.

Q. I would now like you to go to page 48, if you would, where you compare the contribution of the -- you do a comparative contribution of the forestry industry to the northern Ontario economy, you look at forestry, mining tourism and trapping.

Would you describe the analysis that you undertook in this area and the conclusions that you came to?

A. Excuse me, maybe I will just take a drink of water before I do.

I guess I'm beginning on page 48 really.

Q. Yes, please.

A. We are narrowing the focus of the

analysis here to the northern Ontario economy and by that we really mean the area of the undertaking.

We haven't have the opportunity to build up the data on a municipality by municipality basis in the same way that was described by Mr. Watson this morning, but we are attempting to cover the same area, what he calls the north and the near north; in other words, the area of the undertaking. And with each of the data elements we've looked at we've had to make different assumptions and approximations to fit data that typically aren't gathered quite that way into this geographic area of the undertaking.

And our focus here was really on comparing the economic contribution of the forest industry with other relevant industries in the north. Again, we looked at mining and primary metals, we looked at tourism in part because of the potential for conflict in use of the forest resource between the forest industry and tourism and we looked at fur industries, trapping and associated industries for the same reason.

And perhaps what I should do is refer the Board to Exhibit 28 which is just before page 51. In this exhibit we summarize the results of the analysis and make estimates of the employment, the value of

sales or, in the case of tourism, of expenditures and the value of sales per full-time equivalent employee for each of these segments for 1986 in the area of the undertaking.

So our estimates are in 1986 that the forest industry directly employed approximately 36,000 people in the area of the undertaking. I'm just moving down this column. The mining and primary metals industry employed about 29,000, that the tourism sector as a whole employed about 27,000 - and I will come back to that in a moment - and that the fur industry employed about 700 people.

In part because of our desire to focus on those components of tourism that were potentially in conflict with the forest industry, we segmented tourism employment or the employment generated by tourism into two components. We've tried to identify what we call potentially environment dependent tourism from the remainder which we call not environment dependent, and I guess we've taken the point of view that the type of tourism that you were referring to earlier, the expenditures of people associated with the hearing in Thunder Bay, were not environment dependent. In other words, the tourism activity didn't take place because people wanted to hunt and fish or hike or even

experience the benefits of the natural environment.

So we've gone through a fairly elaborate process which we describe in some detail, I think, in Appendix 5 to try and break out tourism activity as a whole into these two components and then to allocate the employment to the two components.

There is a fair amount of uncertainty as to just where the line draws and we have taken, in effect, an upper bound and a lower bound, but our estimate is that of the 27,000 tourism jobs - person years of employment is a better word - in the area of the undertaking in 1986 between four and a half thousand and eight thousand were what we call potentially environmentally dependent.

So on balance, I think we are in a situation where in 1986 in the area of the undertaking both the forest industry and the mining and primary metals industries were major providers of employment.

Tourism is also a major employer in the area of the undertaking, but that part of tourism which, in our view, is potentially in conflict with the logging industry in the sense that they are both trying to make use of the same resource is a relatively small portion of the total tourism employment. The fur industry is obviously another user of the forest

resource. It's a much smaller industry obviously in terms of its employment.

Q. All right. Now, if I may take you to -- are you finished with that chart?

A. Yes.

Q. If I may take you to page 56 where you summarize the figures in that exhibit and the following one, Exhibit 29, can you assist us as to the conclusions that you arrived at in your analysis?

A. Well, I think we conclude - I'm repeating myself a bit here - that the forest industry made a larger and direct economic contribution to the area of the undertaking did any of the other industries we looked at, although it's relative close with mining and primary metals.

Because of the capital intensive nature of a forest industry in reflecting the higher value added and wages that it pays, it generates substantially more sales than does the tourism industry; in other words, the forest industry generated something like $4.7-billion worth of sales in that year. In our best estimate, tourism generated expenditures of about $1.3-billion in 1986.

So even though the employment was in the same order of magnitude, 36,000 person years for the

forest industry and 27,000 person years for tourism, the level of sales or expenditure per job is quite different. And to repeat, of that total tourism component between 17 and 30 per cent in our estimate is potentially environment dependent, the rest is not.

Q. All right. Finally then with respect to this report on the economic profile on the industry, I would like to turn to your Chapter 5, Requirements for Capital Expenditures by Sawmills and Pulp and Paper Mills.

In order to remain competitive at current levels of capacity, Mr. Ross, what can we anticipate in Ontario by way of future capital expenditures for mills in this province?

A. Well, based on the survey which we did, which looked both at the recent past and the near future for the pulp and paper industry and looked only at the recent past for the sawmilling industry, it's our estimate that the capital expenditures required to remain competitive - in other words, capital expenditures that aren't intended to increase capacity but just to either maintain capacity or undertake necessary product quality improvements, et cetera - are substantial.

In the pulp and paper industry, for

example - and this is based on Exhibit 31, which is opposite page 62 - the average mill has been spending about $13-million a year on competitive reasons. That number is in the very right-hand column and it's the second figure down, it's the average per mill for competitive reasons. It reads $12,730,000.

These are all expressed in constant 1989 dollars by the way. We asked the same respondent what they anticipated their costs would be for the next five years at the time of the survey, that meant 1989 to 1993, that is in Exhibit 32 which is following page 62 and the comparable number there is about $20-million per mill per year. In other words, the responding pulp and paper mills, which were most of them, most of the ones that exist in Ontario expect to spend about $20-million a year per mill for competitive reasons in the period to 1993.

At the time we did the survey it was pretty clear to the industry that they were going to be faced with additional capital expenditures in connection with the more stringent environmental regulations that are coming out from the Ministry of Environment with respect to both air and water quality MESA, Regulation 308, Regulation 309, but at the time of the survey the mills didn't know what those

expenditures were going to be and I think things are just getting firmed up at the present time.

So I think the $20-million per mill figure excludes most of the those additional expenditures that they will be facing with respect to air and water quality regulations from the Ministry of Environment.

Q. Can you tell us what you learned with respect to the sawmill industry?

A. Yes. The sawmill results are back on Exhibit 30 which is opposite page 60. Mr. Martel, perhaps it's a reflection of some of the things we were talking about a few moments ago, but we were advised that it's not worth asking sawmillers what their capital expenditure plans are for the next five years. I think typically they tend to live a bit more on a year to year basis. So we didn't go into the future with them, but we did ask them what their expenditures were for the five-year period, 1984-88.

And we have done the same thing, tried to distinguish between those required to stay in business and those required to expand, and looking in the same position on this exhibit, which is over in the right-hand column, the second figure down, the average mill that we surveyed is spending about $300,000 per

mill per year.

Now, we focused on the larger mills in this survey, this doesn't include the many quite small sawmills.

Q. All right. Is there anything else with respect to the Economic Profile Report that you wish to bring to the attention of the Board?

A. No, I believe that we have covered the points that I wanted to cover.

Q. Then I would ask you to refer to Exhibit 1047, the Economic Impact Framework Report, and I wonder if you might tell the Board, please, what were the objectives and terms of reference of this study?

A. We describe the background and terms of reference in the first chapter which starts on page 1 and runs through page 3. This study has a somewhat different focus.

We had a concern in reviewing Panel 5 that there is not much emphasis on actually trying to estimate the impact on wood costs or other economic factors of alternative methods of carrying out the undertaking. There aren't many estimates and there is not really an analytical framework which is laid out that suggests how one might think about that.

In addition, the Ontario Forest

Industries Association and the Ontario Lumber Manufacturers Association made it clear to us that they had some views as to how these issues should be dealt with, and their phrase is, the changes in MNR timber management policies and practices should be subject to impact analysis. This is really by way of background as to how we got to our objectives and I think what they are suggesting is that before a change is made one should look at the efficacy of the change; in other words, will it achieve the desired objective, one should look at the economic impact of implementing it and then compare these two things and make decisions on that basis.

So within that context we were asked to undertake a study that was intended to do the following, and these are the objectives stated on page 2: To determine whether the economic impact component of such an impact analysis can be done; assuming it can, to determine whether, in general, timber management policies and practices do have meaningful impacts on industry costs; and, thirdly, to lay out or determine the basic context in which such impacts should be considered.

In other words, we were really trying to see if we could clarify some of the linkages between

alternative methods of carrying out the undertaking and the socio-economic impacts that they generate on the industry.

Q. In paragraph 4 you indicate that the study focuses on the establishment of forestry services. Why did you select the impact of forestry services on wood costs as the basis of your study?

A. Well, the industry provided us with I guess a short list of various concerns that they had with respect to how the undertaking might be implemented, one of which was the basic issue of reserves or areas in which harvesting is either prohibited or severely restricted. That was probably pretty high on their list at the time and also, when we considered the options, it seemed to be the most amenable to the type of analysis we wanted to undertake.

In particular, there was a literature with respect to the issue, although it's quite limited, and we could see that it was feasible to develop some case studies that would allow us both to explore whether these issues could be addressed and also hopefully to develop some quantitative estimates of the impact of reserves and other cutting restrictions on wood costs.

Q. What did your literature search disclose?

A. Well, we discuss the literature search in Chapter 3.

Q. All right.

A. In summary we found a literature search but a small one that dealt with the impact of reserves and other cutting restrictions in Ontario and there are basically three studies or sets of studies and we describe them on pages 13, 14 and 15.

In each case they determined that there is a cost of reserves; in other words, typically wood costs are increased by increasing the nature or scale of reserves. The range of costs varied considerably and the methods that were used to determine those costs varied considerably in both their nature and in their level of detail.

I think the other useful output of the literature was that some of the articles went to some care to figure out what types of cost might be associated with reserves, both kind of in principle and then attempted to quantify those costs or those categories of costs if they could.

So we came out of that both with a reasonably long list of categories of cost that we

could then try out in our case studies, and also some sense that the literature had identified two types of costs as being most amenable to analysis; one is cost associated with roads - and I am at the bottom of page 15 here - the other is cost associated with the planning and layout of reserves.

Q. And, Mr. Ross, you conducted two case studies one for Abitibi-Price and you did a separate analysis in respect of Midway Lumber. First of all, we will deal with the Abitibi-Price case study, but perhaps before getting into it, I would like to ask you why you chose those particular case studies?

MADAM CHAIR: Shall we take a break before four o'clock, Mr. Cosman?

MR. COSMAN: We are starting a new subject, that will be fine.

MADAM CHAIR: Is this an appropriate time?

MR. COSMAN: Yes.

MADAM CHAIR: Thank you. We will come back at 3:20.

MR. COSMAN: Thank you.

---Recess taken at 3:00 p.m.

---On resuming at 3:20 p.m.

MADAM CHAIR: Please be seated.

MR. COSMAN: Okay.

MADAM CHAIR: Yes.

MR. COSMAN: Q. Mr. Ross, we were just about to commence with the Abitibi-Price case study which starts at page 17 of your Economic Impact Framework Report. Can you tell the Board, please, what was your approach to this case study and how was it conducted?

MR. ROSS: A. Yes. What we were trying to do with case studies was to fulfill really two of the three objectives that we had for this study as a whole. One was to determine whether it was possible to work through these economic impact issues, and the second was, assuming that that was the case, to determine whether these types of forest management practices or changes in them might incur substantial costs to the industry.

When we were considering possible case studies we had a number of dimensions to think about. Ideally we wanted to do case studies of both pulp and paper companies and sawmillers. Ideally we would like to cover various forms of forest management regimes, if you will. Abitibi-Price operates on an FMA, we have a subsequent case study that is on a Crown management unit.

Q. That is the Midway study?

A. Yes.

Q. Mm-hmm.

A. And I guess with those criteria we looked for opportunities to conduct case studies. Because Abitibi-Price has a GIS, a computer assisted map analysis tool in place, it represented an ideal opportunity to conduct a case study.

So one of our case studies is one part of the Spruce River FMA -- Camp 11 of the Spruce River FMA which is essentially north of Thunder Bay. We had the advantage that we understand that the area we have studied is representative of industry operating concerns in the area of the undertaking. I don't think we are competent in ourselves to make that judgment, but we asked both the senior Abitibi-Price forestry staff their views in that regard and supplemented that with the consensus of a discussion that we had with other representatives of the OFIA and the OLMA and in both cases they judge it to be representative or perhaps more accurately not drastically unrepresentative. For example, it has about an average amount of lakes, less than some areas, more than others, the terrain and topography are not the most difficult but not the easiest either.

The other advantage of using this particular operating area for a case study is that the camp -- the case study area, that part of the Camp 11 area is currently being operated by Abitibi-Price, so that they have an operating plan in place and in fact are working, they are in the midst of the five-year plan now and they have got the whole area on the GIS including the existing reserves as they were laid out in the planning process by MNR and the company.

Q. Did you develop a number of different scenarios as to the reserves for purposes of your analysis?

A. Basically we looked at three scenarios. These are described in words on pages 21 and 22 of the report and they are really described -- two of them are described in considerably more detail in Exhibits 3 and 4, each of which are two-page exhibits, and those exhibits immediately follow page 22.

Q. Will you please describe what those scenarios were and how you applied them?

A. Well there are, as I said, really three scenarios. One is -- and these are all in a sense 'what if' scenarios. The first is, suppose there were no reserves, suppose total available timber

allocations were there to be cut. That is not to suggest that anybody was recommending that, but just as a hypothetical scenario.

The second is the existing reserve structure as actually implemented in that case and that is described in some detail in Exhibit 3.

The third is what we called the inflexible reserve scenario which is a hypothetical case. It's the possible inflexible application of the new timber management guidelines. In other words, if they were interpreted as rules and kind of pushed to the maximum in each case rather than as guidelines.

We didn't actually develop the detailed components of these scenarios, we outlined the basic conceptual scenarios we were interested in and then the details as they are expressed in Exhibits 3 and 4 were put together by Abitibi-Price foresters in Thunder Bay. So they really reflect the interpretation of Abitibi-Price foresters of these conceptual scenarios.

Q. All right. Please continue, describe how you proceeded?

A. Once the scenario was defined the technicians at Abitibi-Price were able to translate them onto the GIS system and really define areas that were lost, land areas lost to reserves depending on the

scenario that was used.

Q. And you are talking productive forest that is lost to reserve?

A. Well, it looks at all land areas lost but it includes and distinguishes the productive forest.

Q. All right.

A. Then it really on a stand by stand basis determines how much wood has been withdrawn in reserves and how much is available as an allocation for cutting, and then basically the wood volumes are adjusted accordingly. So the results of that analysis of volumes lost to reserves are shown on page 23?

Q. That's Table 4.1?

A. In Table 4.1.

Q. And what volumes were determined to be lost using the different scenarios?

A. Well, the volume losses are meaningful, they are summarized at the top of page 24.

The move from a no reserve scenario to an existing reserve has taken about 12 per cent of total available wood volumes out of -- made them unavailable to be cut in this particular case study area, and they have been relatively equally distributed across species, no one species has been particularly

differentially withdrawn.

Moving to the inflexible reserve scenario would remove a further 11 per cent of the remainder of those reserves.

Q. All right.

A. We had the opportunity to cross check the results to some extent because the OFIA had had a survey conducted on their behalf looking across a number of companies and getting their experience with what they called zone-outs, and typically they found that pulp and paper companies in the area of the undertaking had been losing something like nine to 10 per cent of their productive or available timber to reserves, which is not far off the 12 per cent that we had identified.

Q. Did you identify then a number of cost categories associated with reserves?

A. Well, you will recall, Madam Chair, that I had identified a list of possible cost categories as a result of the literature review that we did and reported in Chapter 3. We went up to Thunder Bay and had quite a detailed discussion with the various forestry people and got their views as to what were the types of costs that might be incurred by the company as a result of the reserves. I have them

listed on page 24 and 25, and I won't go into them in detail now.

In the end we settled on an approach that isn't very different than the consensus of the literature that we reviewed -- had developed. In other words, we looked at some detail at road costs and we also looked at the costs of planning and laying out reserves.

While there were a number of other cost categories that the Abitibi-Price people felt might be legitimate, typically there was no way of verifying that, there was no available data that could be used to determine whether such a cost existed and what its magnitude might be.

Q. What were the specific cost impacts measured in your study?

A. Well, the fundamental one is road costs and we have a table in the middle of page 26, Table 4.2 that summarizes the results. But perhaps I should talk a bit about the basis of those costs and how they are incurred.

As part of the case study we asked the people at Abitibi-Price to consider whether they would change their road network in the various scenarios, remembering that we had, as the basis of this case

study, the current five-year operating plan area so that the roads have been laid out, approved by MNR, and by and large been put in place at this point.

The question is: If there were -- if some more land had been taken out of -- made unavailable for harvest or, alternatively, if the reserves had been eliminated, would the roads have been laid out any differently.

I guess this is a question that might have a different answer depending what the case study area was, but in this case study the conclusion was that the roads would be essentially unchanged whether there were -- whichever reserve scenario was used. That partly reflects the topography, it's fairly rugged country were the case study was undertaken, and the feeling of the foreman who had been working on the job was that you're pretty much constrained to put the roads where they would go independent of where the reserves were.

So in that sense the roads are essentially fixed costs. If you're going to operate in that area the roads have to be built. If there is less timber to be taken out of the area because of increased reserves, then the cost per cubic metre of timber to amortize the road expenses is increased, and that is

really the basis of these costs that have been incurred.

If instead of allocating the road costs over say a hundred units of timber in the existing situation the costs are incurred over say 89 or 88 units of timber, one moves to the inflexible reserve scenario, the implications of those are really what are outlined in Table 4.2.

Now, we have looked at the road costs from two perspectives. There is a row heading for each of the perspectives. One is the total road cost which we call gross costs, the other is net of payments from the Ministry of Natural Resources. We have looked at actual road costs as they were incurred by Abitibi-Price and Abitibi-Price received actual payments from MNR under the FMA to offset the road costs.

So, for example, if one looks at the no reserve situation the costs, if you will, to Abitibi-Price of having moved from the no reserve scenario to the current reserve scenario has been about 54-cents a cubic metre of wood delivered to the mill. In other words, they got MNR payments for the road so they didn't have to pay the full 88-cents; the government bore 34-cents I guess and the company bore

54.

However, if one is thinking about the future where it appears that road funding under FMAs is being pretty drastically reduced, probably the gross cost is a more accurate basis of estimating what the cost to the company is going to be. So in terms of comparing the inflexible reserve scenario to the current situation we focus on an estimate of $1 per cubic metre which is in effect assuming that the company doesn't get compensated for road costs.

In calculating those road costs we have actually looked at historical costs that were incurred by Abitibi-Price, looked at actual wood volumes delivered to the mill for the last few years, and really done a 'what if' analysis: What would have been those costs in the absence or in a different scenario than the one that they had in place.

Q. And what did you conclude?

A. I think the answer is yes, there are cost impacts and they really are as summarized in Table 4-2.

In terms of considering the impact of the inflexible reserve scenario, which I think is certainly one area of emphasis here, this case study suggests that a cost of something like a dollar a cubic metre is

representative of the cost that would have been incurred in this operating area, this part of Camp 11, had the operation been laid out under the more stringent guidelines.

Q. Did you look at planning costs as well?

A. We did. We also -- we reviewed the cost records of the Woodlands Division at Thunder Bay and tried to estimate how much -- tried to really allocate costs to the planning and implementation of the current level of reserves in the Camp 11 area.

Based on these actual data, it looks like planning costs to date are in the order of 13-cents a cubic metre; in other words, the cost of implementing the current levels of reserves.

Q. Mr. Ross, then, what did you conclude on the basis of your study was the impact of the inflexible reserve scenario by way of cost differential?

A. Well, the conclusions are on the bottom of page 27 and the top of page 28. In summary, I think we're concluding that existing reserve policies have had an impact of increasing wood cost by about 67-cents a cubic metre which is about one and a half per cent of the typical wood cost.

Even if it were possible to implement the inflexible reserve policy with no additional planning costs, which I think is probably unlikely, and assuming that FMA road funding is not going to be available for incremental roads, the inflexible reserve policy adds another dollar a cubic metre to wood costs in the future basically as a result of less efficient use of the road network that has to be put in place.

In order to try and put these numbers in context, the industry as a whole is harvesting about 20 million cubic metres of wood on Crown lands each year in northern Ontario. So while it's difficult to determine how easily the results can be generalized to the province as whole if they are representative, then the annual incremental cost to the industry as a whole of a move to an inflexible reserve policy would be in the order of $20-million a year.

Q. So on a company basis or industry wide basis, would you consider such an increase in costs to be significant?

A. Certainly.

MR. MARTEL: Did you calculate the average cost as it now applies with the reserves that are there?

I didn't find that. I might have missed

it, but it seems you only have the rigid ones and you started out with three scenarios. You just didn't bother to do the...

MR. ROSS: You get the cost by comparing two scenarios.

MR. MARTEL: Yes, right.

MR. ROSS: So when we compared the existing situation with the no reserves and added in planning costs, the cost is about 67-cents a cubic metre. Let me find that for you here.

MR. MARTEL: Page 27.

MR. ROSS: It's on page 27 in the second last paragraph.

MR. MARTEL: Right. All right.

MR. COSMAN: Okay.

Q. Now, sir, I wish to take you to the Midway lumber case study. Now, just before we get into the study itself, you state for Midway, you state in your report that this particular sawmiller was in a severe situation economically at the time that you did the report and there was some concern about its future.

Have you done an update on Midway since the time that you wrote this report and are you able to inform the Board as to what the status of that company and its economic situation is today and what you have

been advised?

MR. ROSS: A. Well, we haven't done any independent verification of the financial situation at Midway, but the representatives of the company have made it clear to us that they believe their situation is severe and is made more severe by the additional cost that they feel they will incur as they move into the new five-year operating plan.

What they have said is, if they can't get access to more woods on better terms they think they may be out of business within a year. I've talked to them recently and I think there has been some evolution of the situation. When we did this case study we, I think, got ourselves in a sense in the middle of a negotiation between the company and MNR with a certain amount of rhetoric on both sides.

I think there has been an evolution of -- and some accommodation, although I think the company is still quite concerned about its financial situation and I believe, in fact, has closed down one aspect of their operation, the veneer mill, in recent weeks.

Q. In view of the ongoing negotiations that you referred to or the changes in Midway's situation, are there aspects of the Midway study that are still valid today in your opinion?

A. Oh, certainly.

Q. And perhaps you can take us through it just in brief and tell us what they are, what the nature of the problem was here as perceived by the company and what you yourself have concluded?

A. Well, this is a somewhat different situation than the Abitibi-Price case study. This is a sawmiller and veneer mill near Thessalon on the North Shore of Lake Huron. It's a small family owned operation or a medium size family operation. It's not operating in an FMA, it's operating in a Crown management unit which means I think that the Ministry has considerably more responsibility for the planning aspects than would under an FMA. It's -- and the company is in the situation of it has been negotiating, I guess is the right word, a new five-year operating plan which is being developed by the Ministry.

At the time the case study was conducted, which was in the summer, our report was finalized in September, the plan was still being --

Q. Would you like a glass of water?

A. Yes, please.

Q. Take your time. Take a few minutes.

A. Thank you. At the time the case study was being developed the plan was still being

negotiated. I think it has been -- as a five-year operating plan has been finalized, although there is still, I understand, ongoing negotiations about the annual operating aspects of it.

Q. What is the impact of these ongoing negotiations on the data that you have presented with respect to the Midway study?

A. Well, I'm sure the situation has changed and our specific results would probably be different, although my sense from talking to the company is that the situation hasn't changed enough that it would change the substance of the results which is that this is a company that's facing significantly higher wood costs in the next five years than it has in the past five years.

The situation with Midway is really that it is -- in the new five-year operating plan, the company operates in several different cutting areas and the proposed allocations are quite scattered and the impact is that the company will have to put a good deal of road mileage in place in the next five years, probably more miles than are required to actually access the timber that they are going to cut in the next five years.

To say that a little bit differently.

The road network that they put in place in the next five years will serve them for a number of years beyond the five-year period, but typically the company has funded its costs for road construction and maintenance on a pay as you go basis; in other words, they have quickly covered the cost of road expenditures by cutting timber made accessible by the expenditures.

We have explored this issue by doing a case study of part of their proposed five-year plan operating area. It's a number of townships in what's known as the Peshu Lake crown management unit. I'm on page 32 here now.

And our approach to the case study was essentially to consider the issues, to discuss with the company a methodology for exploring them, to review what had been done, but it's the company itself which has done the detailed analysis and calculations. They've essentially looked at what the impact of the road networks that are required in the case study area would be on their costs and they're relatively substantial. The results are presented in Table 5-1. And while they may well have changed as a result of ongoing negotiations, the company believes that it's faced with very substantial increases in log costs.

Q. What is the significance of increases

in log costs to companies in the sawmilling sector?

A. Well, I think they're caught in a squeeze between cost increases in their largest input cost and the type of competitive environment that I was discussing with Mr. Martel a while ago, a poor environment in the sawmilling industry and not an environment in which one can push costs through particularly. I think one takes the prices as they are given by the market.

So I think they're placed in a kind of profitability squeeze; their costs have gone up but their revenues may not, and probably also in a financial squeeze in the sense that money is required to build roads and they won't get a return from those roads soon enough or as soon as they're used to in the previous five-year operating plan.

Q. So in conclusion, then, Mr. Ross, what was the impact on Midway of the proposed five-year operating plan and how do you use this case example as an illustration of the point that you are making?

A. Well, I go back really to the objectives of our study which, as they bear on this case study, are twofold. The first is, can you work your way through the analysis. I think the answer is clearly yes. This is an analysis which in its

structure is quite similar to what was done in the Abitibi-Price case study, although it was all done by hand rather than on the computer.

The second objective is to determine whether forest management or alternative methods of carrying out the undertaking, if you will, can have an impact on wood costs. And although I'm sure the situation was evolved since we undertook our case study, I think it still illustrtates that in this case the costs can be substantial.

Q. Now, I would ask you, sir, to turn to another study called the -- that's been filed as an exhibit in this proceeding in Panel 1 as Exhibit 1035 which is the case study assessment of the impact of protective guidelines on logging operations for Superior Forest Management Limited.

And this was not part of your original report, but in the course of Panel 1 some persons asked whether or not this panel would be able to speak to it, I asked you to do so. In order to put yourself in the position to do so, can you tell us what you did?

A. This is a report that was prepared by people working for Superior Forest Management Limited who have an FMA near Chapleau. I met with a man call George Bruemmer who is the general manager of Superior

Forest Management Limited which really means he is responsible for dealing with the FMA. He's a professional forester and he is the man under whose direction the study was undertaken.

Q. What did he tell you in that regard? Who conceptualized the study?

A. If I might back up a step. The study is looking at the same issues that we've attempted to look at in our case studies, to look at the impact of various forms of -- they use the word protective guidelines, but essentially it's looking at the impact of implementing such guidelines through the creation of reserves and moose habitat provisions and translating those into cost impacts.

Having said that, I forget the original question.

Q. All right. You indicated that a Mr. Bruemmer -- that the report was prepared under his direction. It shows on its face Dan C. Laroque, forest technician, and I believe the evidence on Panel 1 was that this was the person who did the writing but it was prepared by a professional forester. Can you confirm this for the Board?

A. I think it's clear that it was -- that he had an on -- he conceptualized or conceived of

the study and had an ongoing close monitoring role in it and I think he would view it as his study.

Q. All right. Now, did you review and assess the validity of the approach taken in this Superior Forest Products study?

A. Yes, I did.

Q. Would you outline for the Board what were the objectives of that study and describe from the report what its analytical framework was?

A. Well, I had had the advantage at the time of reviewing this study of having worked through the two case studies, so I think I had a fairly clear view if my own mind as to how one thinks through such an exercise, and my review of the analytical methodology was in that context.

So let me describe the approach of this study. I think the objective of a study is to explore whether there is, in fact, a meaningful cost associated with really moving to the new protective guidelines. The focus of the study was on moose habitat and Fish Habitat Guidelines. In some ways the structure of the study was similar to the Abitibi-Price case study; in other words, the company identified an area on their timber management plan that had been approved under the old guidelines and they redid the plan, if you will, in

a hypothetical sense on the same area using the new guidelines.

They considered the volumes of wood that would be withdrawn as a result of reserves, they considered mortality as a result of the particular regime they proposed, which I will come back to in a minute, and they considered where they would put the roads in both cases.

So essentially what they did was take an old -- or take an existing operating plan area and then overlay it with the implications of the new guidelines. I think they had the advantage of the informal assistance of an MNR district biologist. When I say informal, I think I mean unofficial, but Superior would try and implement the guidelines on the map and then they would try it out on the forester -- or on the biologist, I'm sorry, that district biologist, who would interpret, would make suggestions and they would kind of cycle through that process until everybody was satisfied.

So they -- essentially then they have two versions of this area. One as it would be operated under the existing timber management plan reflecting the old guidelines, and then how you would have to deal with it under a new or hypothetical plan assuming that

the new guidelines were fully implemented.

As opposed to the Abitibi-Price case studies, which has essentially assumed that one takes the reserves as given and then harvests as much wood as is available as soon as possible, they took the approach that they would essentially split the area into two -- into equal parts; what they called take blocks and what they call leave blocks. They would cut in a sense half -- they would cut the take blocks which was half the area now, leave the remainder as reserves and moose habitat, then come back at 20 years and cut the other half.

The implications of leaving half the wood for 20 years is partly that some blows down on the perimeters. It's pretty old wood, so in fact there is net mortality for leaving it for 20 years, more dies than the growth increment, and then there of course is wood loss due to putting some of the reserves in place themselves. So there are wood losses and it's necessary really to rebuild the road network when one comes back in 20 years. In other words, they cut half the wood now, they put the roads in place that are necessary for that, they plan to come back in 20 years, they can use some of the old roads but they will have deteriorated substantially. They assume that the

primary roads would require 50 per cent upgrading and all the other roads would require 100 per cent upgrading.

So essentially in a situation where wood has been withdrawn, wood is lost and road costs are higher than they would otherwise would be as a result of implementing the guidelines. Based on their analysis, the roads are used less efficiently as a consequence and road costs per cubic metre of wood are between 45 and 59 per cent higher than they otherwise would be.

Q. Where in the report, sir - and not everybody one has it, but just for page reference - where in the report does the author set out the conclusions of the report?

A. Well, the results as I have described them there are on page 17. There is a little table called Table 8 on page 17.

Q. All right. And, again, just what is the impact on costs of the guidelines for this particular company?

A. Recognizing that this is a hypothetical exercise and that they have chosen to implement the guidelines through this policy of cutting half now and going back in 20 years when the

regeneration is sufficient, that it's really higher than the moose I think, the cost -- the impact on cost is an increase between 45 and 59 per cent per cubic metre.

Q. Now, in your opinion as an economist, Mr. Ross, is the approach and the analytical framework of this study a reasonable one in assessing the economic impacts of reserves?

A. Certainly. I think the approach is a good one. One might quibble with the odd detail, but not at all with the general approach. One of the attractions of this study is that the authors have really attempted to limit speculation as much as possible; in other words, all their assumptions are tied to existing data sources, either accepted industry norms derived from publications or studies that they referred to.

Q. So in that respect then, the Superior study is, if I may say, superior to the Midway study?

A. Well, it's easier for someone who didn't do the study to satisfy themselves that they see where all the pieces have come from.

Q. I see.

A. The Midway study relied on the judgment of staff of Midway lumber for some of the

assumptions.

Q. Thank you. So what then in conclusion do all of the various case studies that you either did, supervised or reviewed establish?

A. Well, I think we have done two things and these are really two of the three conclusions of this report. I have lost my place here so just give me a moment.

The major conclusions are on page 46, and I am back to my report now, I've put the Superior report aside. And these conclusions are stated in the context of the objectives of the study. I think it is clear to me that it is feasible to conduct the economic impact component of an impact assessment of timber management policies and practices. In other words, if I take this back to the original objective of the study and the concerns that the OFIA and the OLMA expressed to me as the background to the study; yes, this part of the analysis I think can feasibly be conducted.

I think both the case studies and to some extent the literature do provide evidence that timber management policies and practices do matter in the sense that they do have an impact on industry costs. There is probably some room to argue about the magnitude of the impact in any of these case studies

and we didn't see -- our job is verifying the magnitudes as much as to satisfy ourselves that there was evidence that the costs are meaningful and I believe we've done that.

Q. And when you say meaningful, are you saying that the costs are significant or what?

A. I think I would probably use meaningful and significant interchangeably.

MR. COSMAN: Thank you. Those are my questions.

MADAM CHAIR: Thank you, Mr. Cosman.

Is the panel finished for today?

MR. COSMAN: Yes, the panel is finished for today and subject to cross-examination it is finished for good.

MADAM CHAIR: Oh, good. Could we do a quick run down on the various parties' estimates of how long they will be cross-examining this panel to give us an idea of whether we will be sitting on Friday or not.

MS. SWENARCHUK: I will be about a day but not more than a day I expect.

MADAM CHAIR: Thank you.

Mr. Freidin?

MR. FREIDIN: Two to three hours.

MS. SEABORN: Two to three hours, Madam

MS. SEABORN: Two to three hours, Madam Chair.

MADAM CHAIR: Dr. Quinney?

DR. QUINNEY: Zero, Madam Chair.

THE CHAIRMAN: You won't be cross-examining this panel?

DR. QUINNEY: Correct.

MADAM CHAIR: Ms. Kleer?

MS. KLEER: Two to three hours for NAN and Windigo as well.

MADAM CHAIR: Well then, we won't be sitting on Friday certainly. Good. We might finish Wednesday. All right, good.

Two matters we are going to discuss now. The first is Mr. Turkstra's participation in the hearing and there may not be any comments by the parties. I thought Mr. Turkstra should come along today, although you all have met him the last time he was with us leading Dr. Baskerville's examination, but I thought you might want an opportunity in his presence to make any comments or ask any questions.

Mr. Cosman?

MR. COSMAN: No, excuse me, I have just been asked to move the dais.

MADAM CHAIR: And if there aren't any

comments we can move on to Ms. Swenarchuk's item.

MS. SEABORN: Madam Chair, if I could speak to the second matter. This morning Mr. Campbell advised Ms. Devual that he wished an opportunity to address the Board on a procedural matter. In light of the Board's stated preference this morning to deal with procedural matters after five o'clock, Mr. Campbell disappeared.

Ms. Swenarchuk had requested we deal with this issue before five o'clock. I have tracked Mr. Campbell down, he assures me that he will be here somewhere about 4:30 at the very latest and he apologizes but, again, in light of the comments this morning that you wish to deal with it at five, he had planned to return here today at five o'clock to make submissions. Other parties have submission on the same topic, I understand, but it may be prudent for us to hold it down for a few minutes and let Mr. Campbell go first, if that's acceptable.

MADAM CHAIR: Well, Mr. Martel and I don't know quite what you want to discuss in terms of the negotiations. If it has something to do with the format of the report or the date, we are willing to listen to submissions on that.

MS. SEABORN: That's correct.

THE CHAIRMAN: But with respect to any aspect of the negotiations, we are really not prepared to listen to submissions until we see the report.

MS. SEABORN: It is with respect to the former not the latter that some submissions will be made.

Madam Chair, as you recall, it has been some time since we have had a hearing day, a proper hearing day since the negotiations. It was the feeling of all parties involved in the negotiations that the Board should be addressed on the first full hearing day after the negotiations with respect to the April 3rd date of next week and that is the matter that Mr. Campbell would like to speak to.

And, as I said, this morning he was prepared to go ahead with that at ten o'clock and in light of your preference to deal with it at five he disappeared until that time.

MADAM CHAIR: Ms. Devaul just informed me that Mr. Colborne plans to cross-examine this panel. He will be in Toronto on Thursday, he won't he in Toronto on Wednesday. Well, why don't we wait until tomorrow and see where we are.

MS. BLASTORAH: Madam Chair, there is only one concern I would raise. I see Mr. Martel

adding up the numbers and I was just doing the same thing myself.

Given the bulk amount of time we have projected for cross-examination, it would look like it would put us over until Thursday, that is knowing the fact it is standard procedure for the Ministry of Natural Resources and the Ministry of the Environment to go last. So it could cause a problem in terms of that because presumably we will finish Forests for Tomorrow's cross-examination tomorrow and that would just leave two hours for NAN and Windigo and then we would be at a break at which time we would be waiting from Mr. Colborne. I just point that out.

MADAM CHAIR: Well, certainly we can make an exception in the order of cross-examination.

MS. BLASTORAH: I only raise it because it is something that will have to be considered.

MADAM CHAIR: It looks to me like we are going to be going into Thursday. So Ms. Devaul will contact Mr. Colborne and tell him to come along on Thursday.

MR. COSMAN: So Thursday morning then, Madam Chair, for him. Let's not risk it.

MADAM CHAIR: Thursday morning. Yes, Mr. Turkstra?

MR. TURKSTRA: Do I understand from the silence when you raised the first issue that I should now leave?

MADAM CHAIR: Yes, I don't think anyone has anything to say to you.

MR. COSMAN: I actually have one question.

MADAM CHAIR: Do you, Mr. Cosman?

MR. COSMAN: I hate to have Mr. Turkstra come all this way for nothing. It may be implicit, but in the new and improved terms of reference Items 2 -- sorry 3 and 4.

MADAM CHAIR: Yes.

MR. COSMAN: 3 provides that counsel will provide oral advice by telephone or in person whenever requested by the panel; 4 speaks to counsel providing written opinions on matters of procedure in law as the Board requests for public disclosure and discussion by the parties at the hearing.

It may be implicit, but I would assume then when we have the pleasure of Mr. Turkstra's presence at a hearing for any particular point in time and advice is necessary or the Board requests advice, as with other tribunals, it won't be necessary to do anything in writing, Mr. Turkstra can provide his

advice to the Board and the Board can invite such submissions as the parties may wish to make in respect of that advice provided.

As I say, it may be implicit, but I would hate to think that this is going to be treated as a rule book rather than a set of guidelines.

MADAM CHAIR: Yes, it is implicit.

MR. TURKSTRA: Thank you very much.

MADAM CHAIR: Thank you.

Ms. Swenarchuk, would you like to make a submission on something to do with the report on the negotiations?

MS. SWENARCHUK: No.

MADAM CHAIR: All right.

MS. SWENARCHUK: Let us explain to you how this was originally organized. It was organized that Mr. Campbell and Ms. Seaborn would present to the Board something approaching a consensus report arising from discussions that parties held at the end of the negotiations with regard to the future of those negotiations, that process, and of a report to be filed with the Board.

In the interim the consensus has to some extent dissolved, however, it's my view that it would still be appropriate for Mr. Campbell to proceed

initially and outline, with whatever changes may be forthcoming, a position from which other people then may to some extent diverge, and I know that sounds convoluted and abstract...

MADAM CHAIR: This doesn't have to do with the results of the negotiations, this has to do with --

MR. COSMAN: Procedure more than anything else, Madam Chair.

MADAM CHAIR: Procedure, because we don't want to talk about the substance of the negotiations until we see a report.

MS. SWENARCHUK: Right.

MADAM CHAIR: And this has to do with reporting to the Board. All right.

MS. SEABORN: And, Madam Chair, I don't think anyone is trying to be secretive about this. As I said, I would make the submission on behalf of the parties right now in Mr. Campbell's absence but, as I said earlier, he was planning on coming back here at five o'clock and he happens to have all our notes, which is one practical matter.

And he is on his way, and I think if we could just hold down perhaps until 4:30 and let Mr. Campbell go ahead.

MADAM CHAIR: Ms. Swenarchuk, how does that affect you, you wanted to --

MS. SWENARCHUK: Well, I will be fine. I will be leaving at five. Just one other procedural matter that has been on the agenda eventually to be discussed and that is the question of the timing of the FFT case and all of those details.

MADAM CHAIR: Yes, which is tied in at this point with the satellite hearings.

MS. SWENARCHUK: That's right. What I am requesting is that since Mr. Lindgren will be in Thunder Bay next week when the satellite hearing question is discussed and I will not be, that he participate in that discussion. The following week when I will be in Thunder Bay I continue the discussion as regards our case.

Now that it appears that our case will commence after a certain number of satellite hearings, I think the urgency that was there with regard to perhaps an August commencement isn't there and it could reasonably be dealt with later.

MADAM CHAIR: That's fine.

---Discussion off the record.

MADAM CHAIR: As Mr. Martel points out, we can save the entire discussion until the week after.

We simply set that date to get it going.

MR. FREIDIN: There may be some problem - and I haven't been involved in discussions with Ms. Devaul - or not, but there may be some concern regarding the timing of a notice for the satellite hearing in Fort Frances which is going to take place in May if we put it off another week.

MADAM CHAIR: Ms. Devaul informs me that, yes, we are looking at possibly a public hearing in Fort Frances in May which would require a longer...

Yes. So we will go ahead next week and then the week after as well. Shall we take 15 minutes?

MS. SEABORN: I would appreciate that. Thank you.

MADAM CHAIR: Thank you.

---On recessing at 4:20 p.m.

---On resuming at 4:40 p.m.

MADAM CHAIR: Thank you.

Yes, Mr. Campbell?

MR. CAMPBELL: Thank you, Madam Chair.

I have been asked today to make submissions to the Board in part on behalf of all parties and I will tell you when the dividing line ending that is crossed and I will go on and suggest a solution to part of the problem that we are faced with.

As the Board will be aware, pursuant to the Board order the parties are required to file with the Board a report documenting the names of parties who participated in the negotiations and results of those negotiations. Where there is unanimous agreement with respect to any term and condition, that agreement is to be documented in the report, and the order as it presently stands requires that report to come forward to the Board on April 3rd.

The order in respect of the negotiations in respect of terms and conditions also goes on to say that parties are required to file what I will refer to as final terms and conditions on April 3rd and that any amendment to those terms and conditions can only be made with the leave of the Board. Now, what has happened is that basically simply a practical problem has arisen with those terms of the order and, in particular, with the April 3rd date.

Before I outline the nature of the practical problem, I just want to advise the Board that it will have had an opportunity to look at the terms and conditions that were filed by the various parties in their draft form. You will no doubt have noticed that they are both extensive and detailed and they cover some very substantive topics. Virtually all of

those topics were canvassed in detail during the two weeks, but because of the volume of material it hasn't been possible to bring those negotiations to what the parties consider to be a satisfactory conclusion at this point.

That is not to say that the negotiations have not made progress, they have, but I think the practical problem is that if we are required to bring them to a conclusion artificially in effect to meet the April 3rd date that a very good beginning to this process is going to be truncated, and certainly it is our submission on behalf of the Ministry of the Environment that that would really negate some of the value of spending those two weeks on those negotiations.

MADAM CHAIR: Mr. Campbell, are you saying that the negotiations are still going on?

MR. CAMPBELL: Yes, they are.

MADAM CHAIR: Okay.

MR. CAMPBELL: And I have to explain that a little bit. But before I do, I want to give you some idea of the kind of topics that were discussed without going into the substance of what was discussed.

There has been considerable discussions about the contents and use of the values map, the whole

area of public consultation has received extensive discussion, the whole area of the documentation that is required with respect to plans and the level of detail required in the area of concern planning process in particular, for example, has also received extensive discussion, the whole question of how to deal with non-timber values and objectives and strategies for those values occupied considerable time, as did other topics such as plan format and deviation reporting.

All of these are covered in some quite different ways in the terms and conditions and given both the different approaches and the level of detail at which those approaches were set out in the various terms and conditions, the full two weeks was used in discussing all of this, in making sure that there was a good understanding of the positions of the different parties and where the different positions could be accommodated and bringing those discussions down to quite a detailed level, so that if it is possible to bring a product back to the Board it can be brought back in a useable form not just in broad general principles that are difficult to apply. If we are going to be able to bring back solutions to you, we want to bring them back in implementable form, and certainly on behalf of my client we are very anxious to

do that.

Now, all of this leads up to a request on behalf of the parties, all parties involved in the negotiations, that the Board not require those parties to file terms and conditions on April 3rd, 1990. A report can be filed with the Board on that date documenting terms and conditions which have been unanimously agreed to by the parties and reporting that progress has been made on other matters and reporting, of course, who attended the negotiations and for what Periods of time, as has been requested.

I will tell you, without wishing to keep you in suspense for too long, that the matters on which there is unanimous agreement are relatively minor at this point and I think - if I could perhaps remove the word relatively - the important part is 'at this point'.

I have outlined for you a number of the areas that were discussed at length during the negotiations and when we broke off the negotiations in those areas and others the quantity of material that we had dealt with and the detailed nature of the discussions resulted in a position that we had a pretty clear understanding as to what kinds of directions might be workable on these, and MNR undertook to get

back to the parties with the position of -- having heard all of the discussion, undertook to get back to the parties as to the MNR team's view as to what they could do in these various areas, and they undertook to do so by April 12th.

MR. MARTEL: Does that cover all of the areas, the 60 or so terms and conditions? You have covered them all to some degree, not finalized but...

MR. CAMPBELL: I couldn't give you an assurance that we covered them all. What I can say is that the list of ones I have mentioned is not the exclusive list, it's just illustrative of the kind of broad areas that were being dealt with, but I think it's fair to say that there was no major area of the terms and conditions that wasn't touched on to some degree or another.

The areas in which MNR is going to come back or feels it can be in a position to come back to the panels on April 12th include what, certainly in my perception - and others will have to speak for themselves - are some of the very significant areas of differences in position.

So that while I can't say that we are dealing with each and every one of all of the various terms and conditions, we have dealt with a very

substantial portion of the more significant areas, and that certainly it would be my submission that if agreement can be reached in some of those areas the Board's goal of saving some significant time could certainly be achieved.

Now, obviously given that, MNR is going to be able to get back to the group generally on all of these areas with a consolidated position by April 12th. At the very least it seems, at least in our submission, to be counterproductive to require adherence to the April 3rd date and we are asking for dispensation from that date, both particularly with respect to of course the filing of terms and conditions, and the question then arises, of course, as to what further date or what further order should be made. And it is at that point that I have to stop speaking on behalf of the group.

I think the request for an extension to the April 3rd date and the kind of rationale that I have given would be generally supported by the group, some maybe more or less optimistic about the outcome. I happen by my nature to be a little more optimistic and to hope that we are on our way to some significant results. That is as may be. In any event, looking beyond April 12th, my submissions at this point are on behalf of the Minister of the Environment and not on

behalf of all of the parties.

On behalf of the Minister of the Environment I think we take the position that it is very difficult without a consolidated response from the Ministry of Natural Resources, which we expect by the 12th as I say, to make any useful submissions as to a final date to be set for terms and conditions.

I will tell you that the discussion around this point ranges in dates from April 30th right through to the end of the hearing. Different parties have taken different positions, they will have to speak for themselves, but there is a considerable range of views on that matter.

Our position is that at this date without having the consolidated response from MNR that is expected on April 12th that the Board should give a dispensation from the April 3rd date and revisit the question of setting a date for terms and conditions in some period after the April 12th date, and that period would have to be long enough so that we have a chance to actually consider what MNR brings back to us on the 12th and make a judgment in light of that material as to what kind of date we want to ask for.

And I would suggest that we should be in a position to do that probably by the end of April. If

we get the response back April 12th, there should be an opportunity for enough discussion by the end of April for us then to come back to you and say: Here's how we think we should deal with the filing of terms and conditions at this time.

As I say, I make this submission to you on behalf of the Minister on the simple common sense proposition that without seeing the response of MNR it is very difficult to make any sensible suggestion as to what an appropriate date for filing final terms and conditions might be. I think though that within a couple of weeks of seeing that response we will all be in a position to make sensible submissions. And that is our suggestion as to how we deal with this.

I want to stress that there has been a considerable investment of time and effort in all of this. The meetings were -- everybody worked hard at the meetings, the whole range of terms and conditions was worked through in a very orderly way, and very often evenings were spent - as is evenings were spent in individual meetings between or amongst various parties trying to clarify positions and otherwise advance the course of the discussions which took place during the day - and it is my submission that to insist upon the April 3rd date in light of that effort is

likely to truncate what still has the possibility, in my mind, of-being quite a useful and productive process, and that the Board's position in terms of wishing to achieve an overall benefit of reducing the length of time required for the hearing can best be served by setting aside the April 3rd date. And, as I have said, I have given you my submissions as to how one ought to go about setting the date after that time.

I think it's a fairly simple proposition that we put forward, and unless you have any questions of me, my friends clearly will want an opportunity to speak to the matter of what the date is for terms and conditions. I know there are different views on that, and I would appreciate the opportunity to reply in light of that.

MADAM CHAIR: Thank you, Mr. Campbell.

Excuse me, Mr. Cosman. Ms. Swenarchuk, did you want to go next?

MS. SWENARCHUK: No, I am content to hear Mr. Cosman and Ms. Kleer.

MADAM CHAIR: All right, Mr. Cosman. Thank you.

MS. SWENARCHUK: Thank you.

MR. COSMAN: Yes. Madam Chair, I just want to say that I, on behalf of the OFIA and OLMA,

support the submissions made by Mr. Campbell for a number of reasons; that is, the submission that No. 1 the Board dispense from the requirement of having the parties file final terms and conditions on April 3rd.

That doesn't mean a report cannot be or will not be filed on that date, but it's the filing of final terms and conditions, and there is a very simple practical reason for that; and, that is, that at this stage, if the Board were to require it, which it could, the Board is going to see frankly from, I suggest, nearly everyone exactly what they have seen by way of the draft terms and conditions that have already been filed.

So rather than cut off the negotiations which that order might cause to happen if it's implemented and, therefore, have the opposite result of what the Board intended of trying to define issues, obtain agreement and shorten the hearing, the opposite result will attain.

So my submission is that for that reason the Board should not require the filing by the parties of final terms and conditions on April 3rd. It's very easy for all the parties just to file them again.

Secondly as to when they should be filed, I support Mr. Campbell, that you should keep the matter

open, until some point in time that you may want to close the matter, but I suggest that if you wish to revisit it on April 30th to ask for submissions at that time as to when it might be, that is a good idea; but even then you should keep the matter open.

As you may know, in most hearings final terms and conditions are something that follow evidence and argument and parties are often very realistic at that point in time in terms of what they ask for. I am not saying that that is the time that we should be doing it here, let's wait and see, but at least wait and see and let the negotiations and ongoing discussions, to the extent that that is possible, ensue.

The only other point is that my friend Mr. Campbell referred to waiting for a response from the Ministry of Natural Resources. It would be entirely inappropriate for me or anyone to get into what that response would be in respect of, but in addition to that response I can say that once a response is received there will have to be, and undoubtedly will be, discussion again between the MNR and parties and the parties and each other.

So that again, in summary, I support Mr. Campbell's position.

MADAM CHAIR: Is there going to be any disagreement with Mr. Campbell's suggestion?

MS. KLEER: Yes, there will.

MADAM CHAIR: All right. About the 3rd, not having the finalized...

MS. KLEER: With respect to what the final date should be, if any.

MADAM CHAIR: Mr. Martel and I think we have already decided that we will do that, we will set aside April the 3rd as the date for the parties to submit their finalized terms and conditions.

MS. KLEER: We are not in disagreement with that; we are, however, in disagreement with respect to how the negotiations will continue and to what extent they should continue.

MR. MARTEL: Well, we were just trying to get at that if everybody agreed, then there is no sense everyone repeating that they wanted us to drop the 3rd.

MR. CAMPBELL: I think that part I can safely say I spoke for all parties.

MADAM CHAIR: All right.

MR. MARTEL: Yes. It was already repeated, so I just thought we would save us going through a litany of it.

MS. KLEER: Okay. My submission is on

behalf of NAN and Windigo Tribal Council and it's quite different from that of both of my friends.

In our opinion, given that MNR has indicated they are in a position to supply their negotiating team's position by April 12th, we submit that the Board should order that all the parties' final terms and conditions be submitted by April 30th. We believe it is important for the Board to know that the April 12th position that we are going to hear from the MNR is their negotiating team position. As we understand it, it will not be ratified by anyone at MNR with authority to ratify that position.

We, speaking for NAN and Windigo Tribal Council, cannot continue to negotiate in a context where we cannot be certain as to what MNR's official position will be. All we are getting on April 12 is their negotiating team's position. The reason that we make this submission is quite simple. NAN and Windigo Tribal Council cannot afford to put resources into two processes; the first being an open-ended set of negotiations with no ability to force MNR to state its official position and, secondly, participation in the hearing proper.

We submit that the Board should not force us to go to both hearings and through a time consuming

and open-ended negotiating process. We can't manage both roles and we submit it would be unfair for the Board to order us to have to continue both of those processes.

We might have felt quite differently if there was some greater power to force a reasonable and timely conclusion to these negotiations but, however, there was nothing in the negotiating process to force the MNR to state their official position in a timely manner and, in our opinion, without that forcing mechanism the negotiations can't be a fruitful process.

We would, therefore, just repeat our submission that we think that final terms and conditions be filed by April 30th. That will give a reasonable time for everybody to respond to the April 12th position and to discuss it with each other. Perhaps April 30th is too late -- or too early and perhaps May 15 may be more appropriate, but nonetheless we feel there has to be an end to the process because we cannot participate in a totally open-ended process such as this. And those are my submissions.

MADAM CHAIR: Thank you.

MR. MARTEL: Could I ask one question, and I am not sure you are in a position to answer it. Would it be possible for you to engage in both

processes if there was an ultimate -- if there was a deadline that had to be met or a date where both had to be completed; in other words, you don't want it to run on and on and on?

MS. KLEER: We would agree to that as long as it was a reasonable time frame. We cannot -- six months would be too long. We have done our budgets for participation in the hearing and not in the negotiation process; therefore, we need to have a reasonable time frame.

We were suggesting April 30th. It may be more appropriate to talk about May 31st, but it has to be a limited time frame and I think six months is too long.

MS. SWENARCHUK: Madam Chair and Mr. Martel, we have reached a similar conclusion to that that has been presented to you by Ms. Kleer.

And in addition it is our view, in light of the process, that we do not expect to receive from the Ministry a changed position that would substantially change or perhaps even significantly change our terms and conditions. We face the same problem with regard to budgetary and time constraints as Ms. Kleer outlined but, in addition, of course we are in the process now of preparing our own case which

we expect to present following the satellite hearings.

Nothing during this course of these negotiations has suggested to us that we should change the plans we had with regard to preparation of our case. It is now urgent for us to put our priority of time and resources into that process and we simply do not have the resources, either in terms of personnel or finances, to continue two processes especially when we are convinced that the negotiating process is not going to be productive.

With regard to the date for final terms and conditions, I see merit in both paradox, being Ms. Kleer's position and Mr. Cosman's position. I think, in accordance with Ms. Kleer, we might as well wind it up and file those conditions soon. The proviso that I would add is the one that is already in the Board's rule and that is that the parties which are able to persuade the Board that there are some reasonable ground to change their terms and conditions at some later date which may be, as Mr. Cosman is suggesting, even at the end of all the evidence and argument and that the Board will look reasonably upon those requests, but I think it would in fact be helpful to us, as the party that's going to proceed after the satellite hearings, to be clear on the other parties'

positions.

As I say, we are not confident that continuing the negotiating process is going to result in any significant change.

MADAM CHAIR: Thank you Ms. Swenarchuk.

Mr. Freidin?

Is there anyone else who wishes to speak to this matter?

Dr. Quinney?

We might hear from Mr. Freidin last.

DR. QUINNEY: Thank you, Madam Chair.

The Ontario Federation of Anglers & Hunters has been encouraged by these recent negotiating process and while, similar to other parties, lack of finances is a terrible problem with us, we wish that process to continue for the very simple reason that ultimately we believe there is a chance here that overall the hearings can be expedited through this secondary process, if you like.

So in summary then, my Federation supports the position of both OFIA/OLMA and the Ministry of the Environment on this.

MADAM CHAIR: Thank you, Dr. Quinney.

MR. FREIDIN: Madam Chair, I support the submissions made by MOE and support those made by OFIA

and OFAH. I share the concerns voiced by Mr. Campbell as to the setting of the specific date for the filing of terms and conditions now.

I would like to indicate in response to a question that you asked, Mr. Martel, and you asked whether all the issues had been canvassed. I think Mr. Campbell said that the list he gave you was not all conclusive but we touched on all areas and what he was referring to when he said the list is not all inclusive are the things which the Ministry of Natural Resources has undertaken to get back to all of the parties by April the 12th on.

There have been substantial matters which were discussed and the MNR has undertaken to provide in writing a position of the negotiating team on those issues. There are other specific issues which must be addressed. I respond then to the question that you asked, Madam Chair, and that was whether the negotiations were ongoing. They are and I believe that the negotiation process was instrumental in starting an important round of discussions, which had really not taken place previously.

We met with every party, other than Treaty No. 3, on at least one occasion during those two weeks. We have since the negotiations ended met with

Forests for Tomorrow, OFAH, Nishnawbe-Aski Nation and we have another meeting set for Friday with one of the parties to continue those discussions. Those discussions are essential for the Ministry of Natural Resources to in fact be able respond to each specific term and condition with a yes, no or let's see where we are, and those negotiations in the view of the Ministry should continue.

So I wanted to make it clear that the consolidated response that Mr. Campbell referred to is not a consolidated response by the Ministry on absolutely every term and condition by April the 12th. It is a response to the large and complex issues of the type that Mr. Campbell referred to. We are going to get back to all of the parties on those and we wish to continue with negotiations individually with the various parties on their terms and conditions.

Ms. Swenarchuk says she doesn't expect to receive much from MNR that is going to change their position and all I can say to her is give us a chance. And for that reason again I adopt the submissions made by Mr. Campbell.

Addressing the submission of Ms. Kleer about wanting the position of the Ministry on a specific matter as opposed to the position that the

negotiating team is willing to recommend to senior management of the Ministry, I can only respond by saying that we believe this is a responsible way to conduct these negotiations. It is important for us to make sure that when we go to senior management we have a good understanding of what the various people want, what we think we can accommodate and, therefore, what we can recommend to senior management.

We, therefore, do not support the submission that there is a need to have a final date on which the MNR position itself be given as opposed to the negotiating team giving its position in terms of what it was willing to recommend to the various parties by April the 12th.

I really don't think there is anything else I wish to submit. Thank you.

MADAM CHAIR: Thank you, Mr. Freidin.

We agree to defer the April 3rd deadline in terms of receiving the parties' finalized terms and conditions.

Will we be receiving a very brief report on the negotiations?

MR. CAMPBELL: Yes, we expect to be in a position to file that next Monday. You will be receiving a brief report.

MADAM CHAIR: All right, thank you.

We will wait then until the April 12th deadline when the Ministry of Natural Resources will respond to the parties and Mr. Martel and I would like to meet with the parties soon after that, some time the week of the 17th to canvass your views, your initial reactions to what the Ministry has come back with and we won't make any other decisions about dates until then.

Okay. Thank you very much. We will adjourn until 8:30 tomorrow morning.

---Whereupon the hearing adjourned at 5:05 p.m., to be reconvened on Tuesday, March 27th, 1990 commencing at 8:30 a.m.